11 September 2017

ABCAM PLC

Double-digit earnings growth enabling investment for sustained future growth

Abcam plc ("Abcam" or "the Company", AIM: ABC), a global leader in the supply of life science tools, is pleased to announce its preliminary results for the year ended 30 June 2017 [*].

FINANCIAL HIGHLIGHTS

- Total revenue increased 26.5% on a reported basis to £217.1m (FY 2016: £171.7m). On a constant exchange rate (CER)[1] basis the increase was 9.9%[2], meeting our full year guidance
- Catalogue revenue increased by 27.4% on a reported basis to £202.5m (FY 2016: £159.0m) and 10.8% on a CER basis
    - RabMAb® primary antibody and non-primary antibody revenues grew on a reported basis by 43.9% and 33.0%, and 25.2% and 15.6% on a CER basis, respectively, both delivering on our key performance indicator (KPI) targets
- Reported gross margin of 70.1% following the reclassification of certain costs[3] (FY 2016: 70.2%). On a like for like basis FY 2016 gross margin was 69.2%
- EBITDA margin was 32.5% (FY 2016: 33.6%). Adjusted EBITDA margin[4] was 33.8% (FY 2016: 34.9%), reflecting the continued investment in the business
- Profit before tax (PBT) on a reported basis was £51.9m (FY 2016: £45.4m) and £64.6m (FY 2016: £53.8m) on an adjusted basis[5]
- Reported diluted earnings per share (EPS) increased by 11.9% to 20.74 pence (FY 2016: 18.53 pence). Adjusted diluted EPS[6] increased by 13.9% to 25.46 pence (FY 2016: 22.35 pence)
- Closing cash and cash equivalents and term deposits were £84.8m (30 June 2016: £70.7m)
- Proposed full year dividend increase of 14% to 10.18 pence per share (FY 2016: 8.91 pence)

OPERATIONAL HIGHLIGHTS

- Continued to gain market share globally as a result of our direct customer focus and digital marketing leadership
- Led stakeholder discussions to raise industry quality standards through knockout validation, expansion of recombinant antibody portfolio, and other quality initiatives
- Expanded use of the FirePlex® (formerly Firefly) platform within the kits/assays range by introducing 142 validated antibody pairs and validated a range of these pairs in multiplex immunoassays
- Further expanded our addressable market in custom products and licensing by providing 'Abcam Inside' for multiple pharmaceutical and diagnostic development partners
- Accelerated AxioMx technology milestone payments in recognition of technical success demonstrated with the unique antibody development capabilities at AxioMx
- Launched several of the Oracle Cloud modules of our new ERP system and made good progress towards full implementation in FY 2018
- Completed recruitment of the Executive Leadership Team with the appointment of a new CFO as well as new hires of Senior VP of Technology and Senior VP of Global Manufacturing & Supply Chain
- Commissioned construction of Abcam's purpose-built global HQ at the expanding Biomedical Campus in Cambridge, UK, with expected occupancy in FY 2019

Commenting on the preliminary results, Alan Hirzel, Abcam's Chief Executive Officer, said:

"It has been a year of progress for Abcam as we have once again delivered on our financial goals. We have delivered 10% constant currency revenue growth, meeting our full year guidance, while continuing to invest in the long-term future of the Company. We look forward to continuing to expand our business as we move toward our ambition of becoming the most influential life sciences company for the research communities globally."

1. Constant currency is calculated by applying prior period's actual exchange rates to this period's results.
2. Unaudited figures in our pre-close update stated 10.2% revenue growth. As a result of the completion of the year-end financial review and audit, actual total revenue growth in the year is 9.9%.
3. This refers to goods-in processing costs, which are costs incurred in receiving, resizing, and storing brought-in product. These costs are only incurred in relation to selling product and management has concluded that it is more appropriate to include the costs in gross margin as a cost of sales to give a more accurate representation of the true cost of product sales. These costs had previously been shown as an operating expense.
4. Excluding acquisition and integration costs, the change in fair value of contingent consideration, the initial incremental costs associated with the systems and process improvements and R&D tax credits relating to prior years.
5. Excluding acquisition and integration costs, the change in fair value of contingent consideration, unwinding of discount factor on contingent consideration and fees, amortisation of acquisition-related intangible assets, the initial incremental costs associated with the systems and process improvements and R&D tax credits relating to prior years.
6. Excluding acquisition and integration costs, the initial incremental costs of systems and process improvements, unwinding of discount factor on contingent consideration and fees, the change in fair value of contingent consideration, amortisation of acquisition-related intangible assets, R&D tax credits relating to prior years and the tax effect of adjusting items.

See Our Financials for detailed reconciliations between reported and adjusted measures.

* This announcement, including any information included or incorporated by reference in this announcement, may contain forward-looking statements (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning) which are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Abcam group. All statements other than statements of historical facts may be forward-looking statements and should not be treated as guarantees of future performance. These forward-looking statements involve risks and uncertainties, many of which are beyond the control of the Abcam group, and there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements speak only as at the date of this announcement and accordingly undue reliance should not be placed on such statements. The Abcam group does not assume any obligation to, and does not intend to, revise or update these forward-looking statements, except as required pursuant to applicable law.

##Ends##

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Notes for editors:

About Abcam plc

As an innovator in reagents and tools, Abcam's purpose is to serve life science researchers globally to achieve their mission, faster. Providing the research and clinical communities with tools and scientific support, the Company offers highly validated biological binders and assays to address important targets in critical biological pathways.

Already a pioneer in data sharing and ecommerce in the life sciences, Abcam's ambition is to be the most influential company in life sciences by helping advance global understanding of biology and causes of disease, which, in turn, will drive new treatments and improved health. Two-thirds of the world's 750,000 life science researchers use Abcam's affinity binders, reagents, biomarkers and assays and the Company's products are mentioned in over 20,000 of the 56,000 peer-reviewed papers published each year in the life sciences.

By actively listening to and collaborating with researchers, the Company continuously advances its portfolio to address their needs. A transparent programme of customer reviews and datasheets, combined with an industry-leading validation initiative, gives researchers increased confidence in their results.

Abcam's twelve locations are located in the world's leading life science research hubs, enabling local services and multi-language support. Founded in 1998 and headquartered in Cambridge, UK, the Company sells to more than 130 countries. Abcam was admitted to AIM in 2005 (AIM: ABC).

To find out more, please visit www.abcam.com and www.abcamplc.com

CHAIRMAN'S STATEMENT

I am pleased to report that Abcam has made good progress, both financially and strategically, over the course of the past twelve months. We have continued to successfully implement our growth strategy and once again delivered double-digit catalogue revenue growth, performing at levels well above market growth rates. At the same time we have significantly strengthened the organisation's underlying capabilities to deliver further growth in the future.

We are a global leader in the sale of research antibodies and have a reputation for providing high quality products, along with comprehensive supporting scientific data, to researchers who strive to understand the molecular basis of biology and disease. We continue to ensure we are at the forefront of scientific advances by investing in new technologies as well as in methods that ensure the quality of our products, including knockout validation. We are excited about the successes we have made and the further opportunities we see in custom products and licensing. As a result we are putting increasing resources behind this part of our business.

Strengthened the foundations for growth

We are confident that the investments we are making in our systems and processes, our facilities and our teams will enable us to continue to deliver solid growth over the long-term.

Our new enterprise resource planning (ERP) system is a significant investment and is providing a new platform for the way in which we do business. We have gone live with a number of modules over the course of the year and are making good progress towards its full implementation in FY 2018.

Another goal for us this year was to progress the development of our global facilities. Investments have been made to initiate and complete manufacturing and distribution improvement related projects in China, the US and the UK.

We have completed the hiring of our Executive Leadership Team and have re-organised the business to create separate Research & Development and Global Manufacturing & Supply Chain teams.

Our dual growth strategy combines organic in-house development with a track record of successfully completing partnerships and acquisitions. We remain committed to this strategy and continue to proactively evaluate the landscape for opportunities which align with our business objectives and that will provide increased scale.

Our team

I am grateful for the hard work, enthusiasm and dedication of all our employees. My thanks to them and to our shareholders for their ongoing support.

I would also like to thank my current and previous Board colleagues for their hard work, guidance and oversight of the business through a successful period of growth and change. Gavin Wood joined the Company as CFO-elect in July 2016, replacing Jeff Iliffe as CFO and Executive Director on 12 September 2016. Additionally, Jim Warwick retired from Abcam and stepped down from the Board on 31 December 2016, and Anthony Martin and Michael Ross did not seek re-election as Non-Executive Directors at the AGM in November 2016, leaving the Board on 31 October 2016. I am pleased to say that over the year we have completed the hiring of our Executive Leadership Team and, as well as appointing Gavin as our new CFO, we have also added a Senior Vice President of Technology and a Senior Vice President of Global Manufacturing & Supply Chain.

Governance

We are committed to high standards of governance and continue to comply in all material respects with the UK Corporate Governance Code, despite it not being a requirement for an AIM-listed company. In addition, we operate a robust framework of systems and controls to maintain high standards throughout the Company.

Dividend

The Board is proposing a final dividend of 7.355 pence per share (FY 2016: 6.556 pence per share). Added to the 2017 interim dividend of 2.825 pence per share, this brings the total dividend for the financial year ended 30 June 2017 to 10.18 pence per share (FY 2016: 8.91 pence per share), representing an increase of 14.3% over the previous year.

Outlook

We believe we are well placed to continue to gain market share from our leadership position in research antibodies and to continue to make progress in related markets. We remain confident that we have the right strategy and the right people to achieve our long-term goals and build significant value for all our stakeholders.

Murray Hennessy
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

A year of progress

We have led Abcam further toward achieving our goal of becoming the most influential life sciences company for researchers worldwide. We remain the market leader in the primary antibody market and have grown above market in all our product categories and territories, despite a highly competitive landscape. This outcome reflects our clear growth strategy, strong product line and dedication from our team.

Our strategy leads to long-term sustainable growth

FY 2017 was another year of good progress as we continue to build on the growth strategy that we announced in 2014. Our customer feedback has never been stronger and we continue to make market share gains worldwide. To prepare for further growth, we have made substantial investments in our systems and processes, our facilities and our people, and we continue to work hard to ensure these investments support our long-term growth aspirations. Underpinning our transformation is the solid financial foundation we have established. Overall, we believe the changes we are creating will enable us to double the scale of Abcam from 2016 to 2023 in terms of the life science research influence and commercial scale of the Company.
We have delivered strong revenue growth, with all geographic areas and main product categories performing at levels above underlying market growth rates. In a year with political uncertainty in large markets such as the US and Europe, our business has remained focused on serving customers well. Our history and strengths in digital marketing continue to support our business well and we are making increasing use of data to enhance our product selection, website and marketing in order to attract new customers and satisfy more needs of our existing customers.

Our research use only product catalogue revenues at reported values grew to £202.5m (FY 2016: £159.0m), a 27.4% increase over the previous year. By product type, we continue to grow primary antibody revenue ahead of the global market growth rate. Our market leading recombinant antibodies, including RabMAb® rabbit monoclonal antibodies, are major contributors to that success. Constant currency revenues from RabMAb® products are in line with our full year expectations, growing by over 25%, and now represent £41.5m of our total £159.8m primary research antibody revenue. With over 11,000 RabMAb® primary antibodies in our catalogue, 10,000 of which are recombinant, these and other recombinant antibodies are expected to continue to play an important part in our future growth.

Product quality is a priority for our customers and, therefore, a major focus of our work and investment at Abcam. We are investing to increase the standards and breadth of product validation, including over 900 products that now benefit from market leading knockout validation. Our investments in the latest antibody production technology mean that our 10,000 recombinant antibodies ensure the highest standard of repeatability for researchers and drug development teams. We continue to work closely with our suppliers to ensure that they meet our high standards.

Non-primary antibody revenues on a constant currency basis grew 16%, aggregated across several product categories. Kits and assays are the largest sub-category within this part of our product portfolio, representing approximately 60% of the revenue. Following the mid-year revision to lower growth targets for this portfolio, the products performed within our expectations and all product categories within this group grew at double-digit levels versus the prior year.

Kits and assays remain a very important growth opportunity for Abcam. These products contain all the reagents researchers need to run an experiment and save researchers considerable time. For example, our SimpleStep ELISA® kit reduces the time it takes to run the simple ELISA experiment from approximately four hours to just ninety minutes, with the added benefit that the kit minimises potential variability between experiments. We are investing and innovating to move our market leading antibodies into these products as rapidly as possible. In the last year, we have created new assay products from integrating antibody and assay technologies from our recently acquired companies. These combinations resulted in the introduction of approximately 500 new products including matched antibody pairs, singleplex immunoassays, and multiplex immunoassays using the FirePlex® particle platform.

Reported revenue

	FY 2017 £m	FY 2016 £m	Increase in reported revenue	Increase in CER revenue
Geographic split				
The Americas	**86.5**	68.9	25.5%	7.9%
EMEA	**57.1**	47.7	19.7%	7.2%
Japan	**17.3**	12.3	40.4%	11.6%
China	**26.5**	18.8	40.9%	27.8%
Rest of Asia Pacific	**15.1**	11.3	33.6%	13.8%
Catalogue revenue	**202.5**	159.0	27.4%	10.8%
Other revenue*	**14.6**	12.7	15.1%	-0.4%
Total reported revenue	**217.1**	171.7	26.5%	9.9%
Product split				
Core primary antibodies	**118.3**	98.1	20.7%	4.9%
RabMAb® primary antibodies	**41.5**	28.8	43.9%	25.2%
Non-primary antibody products	**42.7**	32.1	33.0%	15.6%
Catalogue revenue	**202.5**	159.0	27.4%	10.8%

*Includes royalty income, custom products and licensing revenue.

Beyond the research use product market that we serve through our catalogue, we are working to grow our custom products and services by working with leading diagnostic and pharmaceutical companies worldwide. Forecasts estimate that the end market value of antibody and immunoassay use in diagnostics and therapeutics is expected to grow to circa $80bn by 2022. We believe Abcam can address up to $5bn of that total through *in vitro* diagnostic (IVD) products, other antibodies and immunoassays and biological therapeutics.

We have an emerging reputation for successfully partnering with pharmaceutical, diagnostic and instrument companies. These businesses work with Abcam to develop antibodies and immunoassays that they then take to market. Abcam benefits from the relationships through opportunities to license, and from downstream milestones and potential royalties, as well as from the opportunity to sell the research-grade version of the antibody or immunoassay into our core research markets via our website. This is a model we are replicating across many commercial agreements around the world to establish future growth for our business.

Underlying markets growing

We observed single-digit underlying market growth for our products in all regions and customer segments with one exception – China. China continues to invest public funds to support a life science strategy such that we are seeing 12–15% annual revenue growth for the markets our products serve. In our largest market, the US, it has been a year of uncertainty around the funding environment following the presidential election. This resulted in an eventual increase in National Institute of Health (NIH) funding for 2017, coupled with a buoyant biopharma cycle. In Europe, there has been increased funding but Brexit has caused some disruption to the UK market as researchers move to replace EU research funding with domestic sources. Elsewhere in the world, the markets continued to grow but growth remained relatively low compared to the major three of the US, China and Europe.

Our five strategic priorities

- Grow our core reagents business faster than the market
- Establish new growth platforms
- Scale organisation capabilities
- Sustain attractive economics
- Selectively pursue partnerships and acquisitions

Read more about our achievements against these priorities in the Strategic Priorities section.

The Company introduced these strategic priorities in 2014 and the broad headlines remain the same, and they continue to serve us well. As the Company progresses, our KPIs continue to be updated to reflect the needs of the Company and the dynamic markets in which we operate.

Our KPI performance was within full year guidance for all measures:

Strategic KPIs	**FY 2017**	**FY 2017 target**
Growth in constant currency revenue from RabMAb® primary antibody range	25%	23-27%
Growth in constant currency revenue from non-primary antibody products	16%	15-20%
Brand Net Promoter Score (NPS)	24%	24-30%
Market position #1 in primary antibodies	#1	#1

Abcam has consistently delivered against these strategic priorities and achieved growth rates ahead of the underlying market rate. As the Company and the market direction are evolving, we are refining our multi-year goals and KPIs. For FY 2018 our goals are as follows:

- Sustain antibody and digital marketing leadership
- Expand in related growth markets
- Invest in operating capabilities to double our scale from 2016 to 2023
- Sustain attractive economics
- Supplement organic growth through acquisitions and partnerships

As we indicated at the half year, we have now revised our KPIs moving into 2018 to better reflect the overall direction of the business and our updated goals.

Updated strategic KPIs	**FY 2018 target**
Recombinant antibody revenue growth	20–25%
Immunoassay revenue growth	20–25%
Customer engagement: transactional NPS	55–65%

Delivering results from our investments

Business systems

Abcam is a rapidly growing organisation and it is important that we have the IT systems infrastructure and business processes to support this growth. We are investing in building enhanced capabilities, processes and systems centred around the Oracle Cloud ERP system.

We are putting significant emphasis on organisational preparation, training and transformation to support the improvements that the ERP system will make in the way we do business and support the growth that we are working to deliver. We are resolutely focused on delivering a high-quality solution that is scalable and will deliver future efficiency improvements. During the year, we have chosen to adopt additional functionality, including a Warehouse Management System, and we have successfully implemented the HR and certain customer service modules and are making good progress towards full implementation in FY 2018.

UK facilities

We currently operate from three separate sites in Cambridge, which are not only at the end of their leases, but also at the end of their operational lives. We have started construction of our new HQ facility and we are looking forward to relocating to the Cambridge Biomedical Campus in early 2019, following completion of the build and fit-out.

Leadership Team

Over the year we have completed the hiring of our Executive Leadership Team and are confident that we have the right team and expertise in place to lead Abcam in our next stage of development.

Outlook

There is significant momentum across the business as we continue to grow our revenues ahead of the market in every region we serve. The investments we are making are enabling Abcam to grow and achieve the stretching targets we have set for ourselves and we believe the Company is in a strong position for a successful future. Based on our clearly defined strategy, together with our history of results, we expect our total revenue growth for FY 2018 to be similar to FY 2017's total growth rate.

Alan Hirzel
Chief Executive Officer

Our Strategic Priorities

Our strategy is designed to increase growth and improve our long-term financial performance, in support of our ambition to become the most recommended brand by life science researchers.

Our strategic priorities	What we promised for FY 2017	What we achieved	Our next strategic priorities
1. Grow our core reagents business faster than the market Our aim is to generate above market revenue growth from our existing consumer base, as well as by attracting new consumers	Continue to drive market share gain for primary antibodies (including rabbit monoclonal antibodies) Retain existing consumers and attract new ones by continuing to improve our digital and offline experiences Continue focus on high quality products which are specific, selective and reproducible in the context for which our consumers use them	Put in place a new target selection process and increased the success of new product launches. Further process improvements have shortened lead times and further improved the success rates of launches Increased the number of RabMAb® antibodies in our catalogue to over 11,000 Continued to grow our digital footprint to retain current customers and attract new ones. Our integrated marketing approach is driving better conversion across multiple channels Continued to work closely with suppliers to add validation data to ensure consistent quality supply, as well as delivering improvements in quality by continuing to invest in technologies, including knockout validation of an increasing proportion of our broad recombinant antibody range	**Sustain antibody and digital marketing leadership** Continue high value focus to gain share Continue validation initiative and raising quality standards Implement next phase of digital marketing vision
2. Establish new growth platforms Our aim is to deliver enhanced value by the addition of attractive new product ranges or services in either the same or adjacent segments and by extending our geographic penetration	Continue to strengthen our position in China Continue to grow our kits and assays business further leveraging our RabMAb® and FirePlex® technologies Continue to increase share of unpenetrated segments	Increased our geographic reach across China Introduced antibody pairs, RabMAb® antibodies in SimpleStep ELISA® kits and used the FirePlex® platform to expand the kits/assays range by introducing 234 validated antibody pairs and validated a range of these pairs in multiplex immunoassays Significantly expanded electronic catalogue	**Expand in related growth markets** Grow kits and assays in line with multi-year aspiration Expand the number of 'Abcam Inside' projects and framework agreements

	Grow custom products and licensing	connections to large-volume customers Further expanded our addressable market in custom products and licensing by providing 'Abcam Inside' for multiple pharmaceutical and diagnostic development partners	
3. Scale organisation capabilities Our aim is to attract and retain the best people, empower them to succeed and build the capabilities necessary to deliver our strategy	Finalise Executive Leadership Team hires and integrate and align teams Implement the Oracle Cloud modules successfully and in accordance with the implementation plan Progress activities to consolidate our Cambridge, UK, facilities	Hiring of Executive Leadership Team completed with the appointment of new CFO as well as new hires of Senior Vice President of Technology and Senior Vice President of Global Manufacturing & Supply Chain. Re-organised the business to create Research & Development and Global Manufacturing & Supply Chain teams Launched several of the Oracle modules and made good progress towards full ERP implementation Commenced construction of new HQ on the Cambridge Biomedical Campus and on track for build completion at the end of 2018	**Invest in operating capabilities to double our scale** Further improve organisational engagement Successfully implement Oracle Cloud and complete alignment of organisation Complete implementation of Supply Chain and Manufacturing function
4. Sustain attractive economics Our aim is to ensure operational efficiency and cost effectiveness to deliver sustainable, profitable growth	Optimise and further improve custom service role and economics Consolidate procurement and identify cost savings Scale-up of AxioMx production	Repositioned our R&D and manufacturing resources to align with our multi-year strategy, and strengthened focus and accountability on manufacturing, new product development and long-term R&D Global procurement function and processes developed and strengthened, including the publication of our Supplier Code of Conduct AxioMx fit-out completed on time and to budget, doubling capacity for *in vitro* recombinant binder	**Sustain attractive economics** Deliver major capital projects with planned costs and time Realise productivity gains Move to direct distribution in at least one additional market

		discovery and validation. Successfully completed a number of milestones relating to AxioMx's intellectual property and technology development and added new products to the catalogue	
5. Selectively pursue partnerships and acquisitions Our aim is to supplement the other components of our strategy by making acquisitions of and working with partners that add to our competitive advantage in the life science market	Continue to actively seek out and evaluate new partnerships, acquisitions, collaborations and investment opportunities that support our strategy and leverage our competitive advantage	Entered into a number of new collaborations and continued to explore acquisition and collaboration opportunities	**Supplement organic growth through acquisitions and partnerships** Continue to strengthen relationships for future deals

Our KPIs

We measure our performance against a number of KPI targets. Success against these KPIs forms a component of the Executive Directors' and senior management's incentives.

RabMAb® primary antibodies CER revenue growth
Strategic alignment: 1, 2, 4, 5
25%

FY 2017	FY 2017 target	FY 2016	FY 2015	FY 2014
25%	18%-22% revised in March 2017 to 23%–27%	29.5%	24.2%	17.1%

How we performed
At a constant exchange rate (CER) growth rate of 25.2%, our RabMAb® revenues, despite increasing the target in March 2017, have again outperformed our high expectations in the year.

Non-primary antibody products CER revenue growth
Strategic alignment: 2, 5
16%

FY 2017	FY 2017 target	FY 2016	FY 2015	FY 2014
16%	20%–25% Revised in March 2017 to 15%-20%	30.3%	28.2%	34.3%

How we performed
We revised the guidance of our non-primary antibody revenues in March 2017 due to large volume orders in the previous period not repeating. Led by our kits and assays business, non-primary antibody CER revenue growth was 16%.

Brand Net Promoter Score (NPS)
Strategic alignment: 1, 2
24%

FY 2017	FY 2017 target	FY 2016	FY 2015	FY 2014
24%	24%–30%	26%	24%	18%

How we performed
We conducted several formal consumer surveys during the year to determine the likelihood of consumers recommending Abcam's products and services to a colleague. The balance of promoters and detractors is then computed into an NPS using standard industry methods.

Market position
Strategic alignment: 1, 2, 5
#1 in primary research antibodies

Ongoing targets
- Maintain #1 position in primary research antibodies
- Gain share in at least two other product categories

How we performed
Market research has confirmed that we remain the #1 company for research antibodies and that we continue to gain market share across other categories.

Our 2018 KPIs

As indicated at the half year, we have revised our KPIs moving into 2018 to better reflect the overall direction of the business and our updated goals.

Revised KPIs for FY 2018 are listed below:

Recombinant antibody revenue growth	**20%-25%**
Immunoassay revenue growth	**20%-25%**
Customer engagement: transactional NPS	**55%-65%**

OUR FINANCIALS

Summary

- Reported revenue for the year increased by 26.5% to £217.1m (FY 2016: £171.7m)
- At constant exchange rates (CER[1]), catalogue product revenues grew by 10.8% and total revenues by 9.9%
- The reported profit before tax for the year increased by 14.3% to £51.9m (FY 2016: £45.4m). Adjusted profit before tax[1] increased by 20.1% to £64.6m (FY 2016: £53.8m)
- Strong operating cash generation with net cash inflow from operating activities of £66.4m (FY 2016: £47.3m), and closing cash and cash equivalents of £84.8m (FY 2016: £68.9m)
- £18.5m continued investment in infrastructure, systems and processes, including our Oracle Cloud ERP project, to support future scalability of the business

Revenue

Total reported revenues for the year increased by 26.5% to £217.1m. Sterling was considerably weaker against the basket of foreign currencies in which the Group trades for the entire year following the UK Brexit vote. Adjusting for this weakening in Sterling, CER revenue growth was 9.9% (FY 2016: 15.9%).

Catalogue revenue growth is up 27.4% on 2016 financial year (10.8% at CER), with RabMAb® sales growing 43.9% (25.2% at CER). Catalogue revenue represented 93.3% of total revenues.

Custom products and licensing contributed 6.7% to total revenues. This has been an area of increased focus for the Group in the year under review and, whilst ending in line with expectations with a small decline at CER from FY 2016 due to the conclusion of certain one-off prior year projects, the platform is now well placed to expand in the coming years.

Gross margins

Reported gross margin was in line with the prior year at 70.1% (FY 2016: 70.2%). However, this reported number was after the reclassification of goods-in processing costs from administration and management expenses in the year. Restating FY 2016 gross margin on a like for like basis results in a gross margin of 69.2% for the prior year, an expansion of 90 basis points in FY 2017. The expansion in gross margin comes from both product mix and productivity improvements across our manufacturing sites.

Administration and management expenses

We have continued to invest in Abcam's capabilities, people, processes and systems to support and drive our medium and long-term growth and this has increased our cost base. Administration and management expenses were also impacted by the effect of our forward currency contracts, because hedging the positive effect of currency rates on revenue results in an offsetting charge to administrative costs. Administration and management expenses increased by £17.0m (28%) to £78.4m. Included in the increase are:

- £11.4m owing to the relative weakness of Sterling consisting of £3.5m in relation to costs denominated in the currency of the Group's overseas entities (which, when translated into a weaker Sterling results in higher charges to expenses), and £7.9m of net currency losses from forward selling currency contracts together with transaction and translational currency impacts;
- £3.0m additional performance-related remuneration charges driven by the strong Group results in the year;
- £1.4m spend to further strengthen commercial and support teams as part of building business scalability, with key people being recruited for IVD, an area of future strategic importance, and marketing teams supporting the RabMAb® and core primaries product categories; and

- £2.0m cost increase in global operations and logistics, related to the increase in revenue volumes and organisation structure improvements, including securing key senior roles to build in-house expertise in global operational processes and increased premise space to accommodate expansion of operations, and the costs associated with closing a small reagent manufacturing facility in Bristol following a review of the Group's manufacturing footprint.

We have realised one-off benefits within administrative and management expenses during the year comprising of a release of bad debt provision of £0.7m following an update to the Group's historical write-off experience, £2.2m reclassification of goods-in processing costs to cost of sales and £0.9m re-assessment of contingent consideration and fees in line with the final settlement of our contingent consideration liabilities relating to the acquisition of AxioMx in November 2015.

Research and development expenditure

Research and development (R&D) expenditure relates to the development of new products, as well as costs incurred in identifying and implementing production process improvements. These costs do not meet the requirements to be capitalised as an intangible asset and are therefore expensed through the income statement.

Whilst total R&D expenditure increased by £5.8m to £18.6m (FY 2016: £12.8m) there were certain one-off costs within this total. These include the effect of exchange rate movements that contributed £1.1m of the increase; the amortisation of acquisition-related intangible assets which increased by £1.9m due to the full year impact of the assets acquired as part of the AxioMx Inc acquisition in FY16 and the FirePlex® platform (previously held as in progress and therefore not amortised), and a one-off £1.3m prior years' R&D tax credit in FY 2016. Following these adjustments the underlying increase in R&D costs was £1.5m, predominantly from the full year impact of AxioMx costs (compared with only eight months in FY 2016), including increased resource and materials to support the pipeline of future product development and increased depreciation charges from capitalised development costs.

The Group remains focused on improving the quality of its product catalogue and invested £0.9m during the year, sustaining a similar level of investment as in the prior year.

Investing in infrastructure, systems and processes

We are investing in our IT systems infrastructure, capabilities and business processes and have selected Oracle Cloud as our core ERP system. We had targeted a full implementation of the ERP system in late 2017. We now expect the remaining modules to be implemented in FY 2018. As a result of the incremental functionality and the extended project timelines we have chosen to invest in, we expect the total cost of the project to be in the region of £44m to £46m, split between capital expenditure of £29m to £31m and operating expenses of £15m.

In FY 2017 with the ramp-up of work performed on the Oracle Cloud ERP project, we incurred capital expenditure of £10.6m (FY 2016: £5.5m) and incremental operating costs of £4.4m (FY 2016: £4.0m), as well as depreciation of £0.6m on the modules fully implemented and deployed in the year.

We are planning to relocate from our current premises in Cambridge to a new, purpose-built HQ on the Cambridge Biomedical Campus in early 2019. We entered into an agreement for a 20-year lease in FY 2017 for the building. As previously announced, the total build cost will be in the region of £46.3m with Abcam contributing approximately £16m. Additionally, professional fees, laboratory and office design costs, and office fit-out costs will be in the region of £8m. During the year we have spent approximately £1.1m of capital expenditure on our new global HQ and also transferred £6.1m to an escrow account to partly fund our element of the build costs.

We have also expanded our Branford, Connecticut, site during the year to enhance the manufacturing capacity of our AxioMx business and, as noted above, we have made significant investment in the headcount of our support, operational and commercial functions.

Earnings and tax

Reported profit before tax for the year was £51.9m (FY 2016: £45.4m). This was after finance costs of £3.4m (FY 2016: £1.1m) in relation to the unwind of the discount on contingent consideration and fees associated with the early settlement during the year of the remaining contingent consideration liability from the AxioMx acquisition.

After taking into account the acquisition-related income and costs, incremental costs associated with the ERP improvements, and the tax losses relating to the Epitomics acquisition claimed in the year, the reported effective tax rate would be 18.3% (FY 2016: 17.6%).

Adjusted profit before tax for the year was £64.6m, on which the effective tax rate was 19.5%, which includes a one-off 1.9% rate reduction from £1.3m of prior year and one-off tax charge adjustments (FY 2016: £53.8m and 16.0% respectively, which included a one-off 5.2% rate reduction from £2.8m of prior year tax charge adjustments). Group profits arise in the UK, the US and other overseas territories and as a consequence the effective tax rate is a blend of the varying tax rates in different jurisdictions.

Basic earnings per share (EPS) were 20.90 pence (FY 2016: 18.61 pence) on a profit after tax of £42.4m (FY 2016: £37.4m), with adjusted EPS of 25.66 pence (FY 2016: 22.45 pence) on an adjusted profit after tax of £52.0m (FY 2016: £45.2m). The adjusting items are disclosed in the Alternative Performance Measures section.

Balance sheet

Goodwill and other intangibles

Goodwill at 30 June 2017 was £115.5m (FY 2016: £112.5m). The increase of £3.0m is related to exchange rate movements due to the location of businesses acquired being predominantly based in the United States. The Directors have performed the required impairment test and no impairment was necessary. For more details, please see note 12.

Other intangible assets at 30 June 2017 were £73.6m (FY 2016: £70.2m). The increase primarily reflects capitalisation of software costs as part of the Group's global ERP improvement project and exchange rate movements arising on assets where the functional currency of the entity to which the asset belongs is not Sterling.

The amortisation charge on acquisition-related intangible assets was £5.9m (FY 2016: £3.7m). £1.5m of the increase was due to starting amortisation of FirePlex® technology at the beginning of the year with the remaining increase mainly coming from exchange rate movements as the functional currency of these assets is US Dollars. The amortisation charge on the other intangible assets was £3.8m (FY 2016: £3.8m) including £0.6m of accelerated amortisation of existing software which was replaced by the ERP implementation (FY 2016: £1.3m) which is included within the incremental costs of the ERP improvements.

Property, plant and equipment

Property, plant and equipment additions of £10.2m (FY 2016: £8.0m) have been made in the year. This reflects continued investment in support of our growth strategy, with £3.6m spent on improvements to research and manufacturing sites including an investment of £2.4m in significant expansion of our Branford, Connecticut, site and £3.6m on continued development of the Group's product catalogue.
The capital expenditure figure above includes a £1.1m contribution to the initial ground preparation and fit-out work for our HQ building (FY 2016: £0.6m).

Non-current liabilities

Consideration payable on the acquisition of AxioMx included an element of performance-based payments; a contingent liability of £10.9m reflecting the expected future payment was included in non-current liabilities at 30 June 2016. During the year an early settlement of certain milestones was negotiated and performance against the other outstanding milestones was met. Consequently there is no further liability associated with this acquisition. See note 24 for further details.

Cash flow

Strong cash generation from the business continued in the year resulting in cash inflow from operations of £66.4m (FY 2016: £47.3m) and free cash flow of £41.1m (FY 2016: £31.7m), including favourable working capital movements of £4.7m. A reconciliation of the adjusted measure is included in the Alternative Performance Measures section.

Cash outflow on investment activities of £33.0m (FY 2016: £21.5m) includes £9.8m in relation to the settlement of the remaining contingent consideration and fees from the AxioMx acquisition (FY 2016: outflow of £6.3m for the initial acquisition consideration) and additional spend compared with FY 2016 of £5.7m for the step-up in capital activity for the ERP improvements and on the new HQ building.

In relation to the new HQ building, £6.1m has been paid into an escrow account in accordance with the agreement for lease terms. This is excluded from cash and is disclosed within other receivables on the balance sheet.

The cash and cash equivalents position was £84.8m (FY 2016: £70.7m including term deposits), giving a net increase of £14.1m. The term deposits have matured during the year and there was no bank debt at 30 June 2017.

Looking forward

The revenue growth this year and in previous years is a measure of the continued success of our strategy and provides a solid foundation as we continue to invest in the capabilities, systems and people at Abcam. These investments and our financial strength will enable us to continue to deliver against our commitments to grow revenue sustainably and continue to fulfil our mission to help life science researchers discover more.

Gavin Wood
Chief Financial Officer

Note 1 The directors use a number of alternative performance measures, including adjusted profit measures that are considered key to understanding the Group's performance. The measures and their use are defined and reconciled in the Alternative Performance Measures section.

Alternative Performance Measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS (the financial reporting framework applied by the Group). These measures are therefore considered Alternative Performance Measures (APMs).

Management use the adjusted or alternative measures as a part of their internal financial performance monitoring and when assessing the future impact of operating decisions.

The measures allow more effective year-on-year comparison and identification of core business trends by removing the impact of items occurring either outside the normal course of operations or as a result of intermittent activities such as a corporate acquisition. The principles to identify adjusting items have been applied on a basis consistent with previous years.

The measures used in the financial review are defined in the table below and reconciliations to the nearest related IFRS measure are included subsequently below.

<table>
<tr><th>Nature of measure</th><th>Related IFRS measure</th><th>Related IFRS source</th><th>Definition</th><th>Use/relevance</th></tr>
<tr><td>Adjusted Operating Profit</td><td>Operating Profit</td><td>Consolidated income statement</td><td rowspan="3">Based on the related IFRS measure but excluding adjusting items:
acquisition-related income arising on the settlement of contingent consideration of the AxioMx acquisition in FY 2016, net of related discount unwind and related acquisition costs
amortisation of acquisition-related intangible assets across the Group
incremental costs associated with the implementation of a new global ERP system and associated processes</td><td rowspan="3">Allows management to assess the performance of the business after removing the distortion of large/ unusual items or transactions that are not reflective of the routine business operations</td></tr>
<tr><td>Adjusted profit before tax</td><td>Profit before tax</td><td>Consolidated income statement</td></tr>
<tr><td>Adjusted basic EPS</td><td>Basic EPS</td><td>Consolidated income statement</td></tr>
<tr><td>EBITDA</td><td>Operating Profit</td><td>Consolidated income statement</td><td>Consolidated earnings before interest, tax, depreciation and amortisation</td><td>Provides management with an approximation of cash generation from operational activities</td></tr>
</table>

Adjusted EBITDA	Operating Profit	Consolidated income statement	Consolidated earnings before interest, tax, depreciation, amortisation and adjusting income items noted above	Provides management with an approximation of cash generation from operational activities after removing the distortion of large/unusual items or transactions that are not reflective of the routine business operations
Constant Exchange rate (CER)			CER is achieved by applying the prior year's actual exchange rates to the current year's results	Allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements which are outside of management's control
Free Cash Flow (FCF)	Cash flow from operating activities	Cash flow statement	Free cash flow is the cash generated from operating activities less non acquisition-related capital expenditure	Provides management with an indication of the amount of cash available for discretionary investing or financing after removing the distortion of large/ unusual expenditures that are not reflective of the routine business operations.

The tables below show a reconciliation between the alternative measures and the related IFRS measures for financial performance and cash flows for the last two years.

Reconciliation of Adjusted income/(expense) measures

	FY 2017				
	Adjusted income measure £000	Acquisition-related (costs)/income £000	Incremental costs associated with the systems and improvements £000	R&D tax credit relating to prior year £000	Reported IFRS measure £000
Revenue Cost of sales	217,098 (64,998)	- -	- -	- -	217,098 (64,998)
Gross profit	152,100	-	-	-	152,100
Administration and management expenses	(73,440)	(523)	(4,436)	-	(78,399)
Research and development expenses	(14,182)	(4,383)	-	-	(18,565)
Operating profit Operating profit margin* (%)	64,478 29.7%	(4,906) 2.3%	(4,436) 2.0%	-	55,136 25.4%
Finance income/(expense)	137	(3,399)	-	-	(3,262)

Profit before tax	64,615	(8,305)	(4,436)	-	51,874
Taxation	(12,620)	2,227	876	-	(9,517)
Profit after tax	51,995	(6,078)	(3,560)	-	42,357
Earnings per share (p)				-	
Basic	25.66	(3.00)	(1.76)	-	20.90
Diluted	25.46	(2.98)	(1.74)		20.74

*Operating profit margin is operating profit divided by revenue

	FY 2016				
	Adjusted income statement £000	Acquisition-related (costs)/income £000	Incremental costs associated with the systems and improvements £000	R&D tax credit relating to prior years £000	Reported IFRS income statement £000
Revenue	171,673	-	-	-	171,673
Cost of sales	(51,142)	-	-	-	(51,142)
Gross profit	120,531	-	-	-	120,531
Administration and management expenses	(55,231)	(2,206)	(3,955)	-	(61,392)
Research and development expenses	(11,662)	(2,467)	-	1,308	(12,821)
Operating profit	53,638	(4,673)	(3,955)	1,308	46,318
Operating profit margin* (%)	31.2%	2.7%	2.3%	(0.8)%	27.0%
Finance income/(expense)	144	(1,050)	-	-	(906)
Profit before tax	53,782	(5,723)	(3,955)	1,308	45,412
Taxation	(8,630)	994	791	(1,138)	(7,983)
Profit after tax	45,152	(4,729)	(3,164)	170	37,429
Earnings per share (p)					
Basic	22.45	(2.35)	(1.57)	0.08	18.61
Diluted	22.35	(2.34)	(1.56)	0.08	18.53

Reconciliation of Alternative profit measures

	FY 2017 (£'000)	Margin %	FY 2016 (£'000)	Margin %
Operating profit	55,136	25.4	46,318	27.0
Depreciation and amortisation	15,326		11,355	
EBITDA	70,462	32.5	57,673	33.6
Contingent consideration – change in fair value, net of related acquisition costs	(983)		466	
ERP improvements	3,873		2,645	
Integration costs	(21)		480	
R&D tax credit relating to prior years	-		(1,308)	
Adjusted EBITDA	73,331	33.8	59,956	34.9

Reconciliation of Alternative cash measures

	FY 2017 (£'000)	FY 2016 (£'000)
Net cash inflow from operating activities	66,384	47,314
Less:		
Purchase of property, plant and equipment	(10,224)	(7,974)
Purchase of intangible assets	(8,947)	(7,608)
Transfer of cash into Escrow for future capital expenditure	(6,075)	-
Free Cash Flow (FCF)	41,138	31,732

Consolidated income statement

For the year ended 30 June 2017

	Note	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Revenue	5	**217,098**	171,673
Cost of sales		**(64,998)**	(51,142)
Gross profit		**152,100**	120,531
Administrative and management expenses before systems and process improvement costs		**(73,963)**	(57,437)
Systems and process improvement costs		**(4,436)**	(3,955)
Administration and management expenses		**(78,399)**	(61,392)
Research and development expenses	6	**(18,565)**	(12,821)
Operating profit		**55,136**	46,318
Finance income	9	**162**	146
Finance costs	9	**(3,424)**	(1,052)
Profit before tax		**51,874**	45,412
Taxation	10	**(9,517)**	(7,983)
Profit for the year attributable to the owners of the parent	6	**42,357**	37,429
Basic earnings per share (pence)	11	**20.90**	18.61
Diluted earnings per share (pence)	11	**20.74**	18.53

Consolidated statement of comprehensive income

For the year ended 30 June 2017

	Notes	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Profit for the year		**42,357**	37,429
Other comprehensive gains/(losses) that may be reclassified to profit or loss in subsequent years			
Movement on cash flow hedges	24	**8,569**	(10,819)
Movement on net investment hedge	24	**(856)**	1,677
Exchange differences on translation of foreign operations		**5,157**	23,903
Movement in fair value of available for sale asset	18,24	**164**	-
Tax relating to components of other comprehensive income		**(1,610)**	1,995
Other comprehensive income for the year		**11,424**	16,756
Total comprehensive income for the year		**53,781**	54,185

Consolidated balance sheet

As at 30 June 2017

	Note	**30 June 2017 £000**	30 June 2016 £000
Non-current assets			
Goodwill	12	**115,511**	112,462
Intangible assets	13	**73,588**	70,208
Property, plant and equipment	14	**22,321**	17,623
Deferred tax asset	15	**6,620**	9,615
Derivative financial instruments	19	**193**	—
		218,233	209,908
Current assets			
Inventories	16	**21,761**	19,675
Trade and other receivables	17	**34,638**	28,504
Available-for-sale asset	18	**985**	797
Derivative financial instruments	19	**1,327**	11
Term deposits		**—**	1,748
Cash and cash equivalents		**84,752**	68,919
		143,463	119,654
Total assets		**361,696**	329,562
Current liabilities			
Trade and other payables	20	**(29,288)**	(20,078)
Current tax liabilities		**(1,220)**	(1,958)
Contingent consideration and fees	24	**—**	(1,990)
Derivative financial instruments	19	**(2,090)**	(9,267)
		(32,598)	(33,293)
Net current assets		**110,865**	86,361
Non-current liabilities			
Deferred tax liability	15	**(21,880)**	(22,938)
Contingent consideration and fees	24	**—**	(10,910)
Derivative financial instruments	19	**(99)**	(1,231)
		(21,979)	(35,079)
Total liabilities		**(54,577)**	(68,372)
Net assets		**307,119**	261,190
Equity			
Share capital	22	**409**	405
Share premium account	22	**23,910**	21,549
Merger reserve	22	**68,073**	61,560
Own shares	22	**(3,626)**	(3,231)
Translation reserve	22	**28,072**	23,857
Hedging reserve	22	**(43)**	(7,066)
Retained earnings		**190,324**	164,116
Total equity attributable to the owners of the parent		**307,119**	261,190

The preliminary financial information of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 8 September 2017.

They were signed on its behalf by:

Gavin Wood
Director

Consolidated statement of changes in equity

For the year ended 30 June 2017

	Note	Share capital £000	Share premium account £000	Merger reserve £000	Own shares £000	Translation reserve[1] £000	Hedging reserve[2] £000	Retained earnings[3] £000	Total equity £000
Balance as at 1 July 2015		402	19,522	56,513	(2,812)	(1,266)	1,758	139,987	214,104
Profit for the year		—	—	—	—	—	—	37,429	37,429
Other comprehensive income:									
Exchange differences on translation of foreign operations		—	—	—	—	23,446	—	457	23,903
Movements on cash flow hedges	24	—	—	—	—	—	(10,819)	—	(10,819)
Movement on net investment hedge		—	—	—	—	1,677	—	—	1,677
Tax relating to components of other comprehensive income		—	—	—	—	—	1,995	—	1,995
		—	—	—	—	25,123	(8,824)	457	16,756
Total comprehensive income		—	—	—	—	25,123	(8,824)	37,886	54,185
Issue of share capital		3	2,027	5,047	(658)	—	—	—	6,419
Own shares disposed of on release of shares		—	—	—	239	—	—	(239)	—
Credit to equity for share-based payments, net of tax		—	—	—	—	—	—	3,222	3,222
Payment of dividends	23	—	—	—	—	—	—	(16,740)	(16,740)
Transactions with owners recognised directly in equity		3	2,027	5,047	(419)	—	—	(13,757)	(7,099)
Balance as at 30 June 2016 and 1 July 2016		405	21,549	61,560	(3,231)	23,857	(7,066)	164,116	261,190
Profit for the year		—	—	—	—	—	—	42,357	42,357
Other comprehensive income:									
Exchange differences on translation of foreign operations		—	—	—	—	5,071	—	86	5,157
Movements on cash flow hedges	24	—	—	—	—	—	8,569	—	8,569
Movement on net investment hedge	24	—	—	—	—	(856)	—	—	(856)
Movement in fair value of available for sale asset		—	—	—	—	—	—	164	164
Tax relating to components of other comprehensive income		—	—	—	—	—	(1,546)	(64)	(1,610)
		—	—	—	—	4,215	7,023	186	11,424
Total comprehensive income		—	—	—	—	4,215	7,023	42,543	53,781
Issue of share capital		4	2,361	6,513	(921)	—	—	—	7,957
Own shares disposed of on release of shares		—	—	—	526	—	—	(526)	—
Credit to equity for share-based payments, net of tax		—	—	—	—	—	—	3,365	3,365
Purchase of own shares		—	—	—	—	—	—	(104)	(104)
Payment of dividends	23	—	—	—	—	—	—	(19,070)	(19,070)
Transactions with owners recognised directly in equity		4	2,361	6,513	(395)	—	—	(16,335)	(7,852)
Balance as at 30 June 2017		**409**	**23,910**	**68,073**	**(3,626)**	**28,072**	**(43)**	**190,324**	**307,119**

1 Exchange differences on translation of overseas operations and net foreign investment hedges.

2 Gains and losses recognised on cash flow hedges.

3 The share-based payment reserve and tax reserve, which were previously shown separately, have been combined within retained earnings for presentational purposes.

Consolidated cash flow statement

For the year ended 30 June 2017

	Note	**Year ended 30 June 2017 £000**	Year ended 30 June 2016 £000
Profit before tax		**51,874**	45,412
Finance income	9	**(162)**	(146)
Finance costs	9	**3,424**	1,052
Operating profit for the year		**55,136**	46,318
Adjustments for:			
Depreciation of property, plant and equipment	14	**5,613**	3,879
Amortisation of intangible assets	13	**9,713**	7,476
Financial instruments at fair value through profit or loss	6	**(1,232)**	2,404
Loss on disposal of property, plant and equipment		**3**	2
Loss on disposal of intangible assets	6	**—**	164
Research and development expenditure credit	6	**(705)**	(1,947)
Share-based payments charge	8	**3,873**	2,243
Contingent consideration change in fair value	24	**(875)**	—
Unrealised currency translation losses/(gains)		**185**	(631)
Operating cash flows before movements in working capital		**71,711**	59,908
(Increase)/decrease in inventories		**(2,086)**	1,261
Increase in receivables		**(767)**	(4,562)
Increase in payables		**7,586**	191
Cash generated from operations		**76,444**	56,798
Income taxes paid		**(10,060)**	(9,477)
Finance costs		**—**	(7)
Net cash inflow from operating activities		**66,384**	47,314
Investing activities			
Investment income		**162**	294
Purchase of property, plant and equipment		**(10,224)**	(7,974)
Purchase of intangible assets		**(8,947)**	(7,608)
Transfer of cash in to Escrow for future capital expenditure		**(6,075)**	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	24	**(9,767)**	(6,258)
Proceeds on disposal of property, plant and equipment		**—**	3
Sale of term deposits		**1,827**	—
Net cash outflow from investing activities		**(33,024)**	(21,543)
Financing activities			
Dividends paid	23	**(19,070)**	(16,740)
Proceeds on issue of shares		**1,442**	1,483
Purchase of own shares		**(104)**	(114)
Net cash outflow from financing activities		**(17,732)**	(15,371)
Increase in cash and cash equivalents		**15,628**	10,400
Cash and cash equivalents at beginning of year		**68,919**	57,059
Effect of foreign exchange rates		**205**	1,460
Cash and cash equivalents at end of year		**84,752**	68,919

Cash and term deposits at end of year comprise:

	30 June 2017 £000	30 June 2016 £000
Cash and cash equivalents	**84,752**	68,919
Term deposits (current)	**—**	1,748
Total cash and cash equivalents and term deposits	**84,752**	70,667

Notes to the Preliminary Financial Information
For the year ended 30 June 2017

1. Presentation of the preliminary financial information

a. General information

Abcam plc (the Company) is incorporated and domiciled in the UK and registered in England under the Companies Act 2006. The address of the registered office is 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK. The Company is a public limited company whose shares are listed on AIM of the London Stock Exchange.

The Company and its subsidiaries (together the Group) produce and distribute high quality research-grade antibodies and associated protein research tools. The Group operates through its ultimate parent company Abcam plc and through a channel of wholly owned manufacturing and distribution subsidiaries mainly based in the US and Asia Pacific, which allows it to serve a global customer base of over 100 countries.

b. Basis of preparation

The preliminary financial information of Abcam plc is prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRS, and comply with Article 4 of the EU IAS Regulation.

The preliminary financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The Group preliminary information is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies adopted in the preparation of the preliminary financial information are consistent with those followed in the preparation of the statements for the year ended 30 June 2016 except where disclosed otherwise in this note.

The results shown for the year ended 30 June 2017 and 30 June 2016 are audited. The consolidated financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts of the Company in respect of the financial year ended 30 June 2017 were approved by the Board of directors on 8 September 2017 and will be delivered to the Registrar of Companies in due course. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph nor any statement under Section 498 of the Companies Act 2006.

c. Provision for bad or doubtful debts

A review of historical debtor defaults undertaken during the year showed a low trend of actual write-offs, thereby resulting in a revision of the expected collectability of the Group's debtor portfolio. Consequently, £693,000 of the provision has been released to the income statement in the year.

d. Presentation of goods-in processing costs

Goods-in processing costs relate to costs incurred in receiving, resizing, and storing brought-in product. These costs have previously been shown as operating expenses but, as the costs are only incurred in relation to selling product, management has concluded that it more appropriate to include the costs in gross margin as a cost of sales to give a more accurate representation of the true cost of product sales. This has led to £2,210,000 being reclassified from operating expenses to cost of sales, a reduction in gross margin of 1.0%. The comparative costs for the year to 30 June 2016 were £1,794,000 representing a gross margin reduction of 1.0%. The prior year income statement has not been restated on the grounds of immateriality.

e. Going concern

The Group meets its day-to-day working capital requirements from the cash surpluses generated as a result of normal trading. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the limits of its available resources.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the date of approval of the preliminary financial information. For this reason, they continue to adopt the going concern basis in preparing the Group's preliminary information.

2. Changes in accounting policies and disclosures

New standards, amendments and interpretations adopted by the Group

In the current year, the Group has adopted the following new and revised standards, amendments and Interpretations which have been assessed as having no financial or disclosure impact on the numbers presented:

IAS 19 *Employee benefits (Amendment)*
IAS 38 *Intangible Assets (Amendment)*

New standards, amendments and interpretations not yet adopted

At the date of authorisation of this preliminary financial information the following standards and interpretations were in issue but not yet effective, and have not been applied in preparing this preliminary financial information:

		Effective for accounting periods beginning on or after
IFRS 1 (amendment)	*Removal of short term exemptions*	1 January 2018
IFRS 2 (amendment)	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
IFRS 4 (amendment)	*Amendments regarding the interaction of IFRS 4 and IFRS 9*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 10 (amendment)	*Sale of Contribution of Assets between an investor and its associate or Joint venture*	*
IFRS 15	*Revenue from contracts with customers*	1 January 2018
IFRS 15 (amendment)	*Clarifications to IFRS15 Revenue from Contracts with Customers*	1 January 2018
IFRS 16	*Leases*	1 January 2019
IAS 7 (amendment)	*Amendment as a result of the disclosure initiative*	1 January 2017
IAS 12 (amendment)	*Amendments to the recognition of deferred tax assets for unrealised losses*	1 January 2017
IAS 28 (amendment)	*Investments in Associates and Joint Ventures*	*
IAS 28 (amendment)	*Clarifying certain fair value measurements*	1 January 2018
IAS 40 (amendment)	*Amendments to clarify transfers of property to, or from, investment property*	1 January 2018
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018

* In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

Impact on future periods of the adoption of new standards and interpretations

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement.

It is effective for accounting periods beginning on or after 1 January 2018. The Group will apply the standard retrospectively for the first time in the half year report ending 31 December 2018 and the annual report ending 30 June 2019.

IFRS 9 is applicable to financial assets and financial liabilities, and covers classification, measurement and derecognition.

On adoption of IFRS 9, the main areas of change that are relevant for the Group are:

- requirement to use an expected credit loss method for impairment calculation; and
- broadening of hedge accounting application with more focus on risk management alignment.

These areas are not expected to have a significant impact on the Group's net results or net assets.

An initial review of expected impairment losses on the current receivable ledger under the new methodology indicates an increase in the provision of less than £0.2m due to the Group's customer profile. The full impact will be subject to further assessment and is dependent on the receivables open at the transition date.

The standard was endorsed by the EU on 22 November 2016.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in May 2014.

It is effective for accounting periods beginning on or after 1 January 2018. The Group will apply the standard for the first time in the half year report ending 31 December 2018 and the annual report ending 30 June 2019.

The new standard will replace existing accounting standards used to determine the measurement and timing of revenue recognition, and requires an entity to align the recognition of revenue to the transfer of goods or services at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard also requires enhanced revenue disclosure.

The adoption of IFRS 15 is not expected to have a significant impact on the Group's recognition of its' catalogue product revenue which contributes approximately 93% of the Group's revenue.

For the Group's other revenue streams, an initial review has been performed on a sample of custom service, licence and royalty agreements and no significant change to the timing of revenue recognition has been identified. However, given the customised nature of these types of agreement, and that the portfolio of open contracts will continue to change up to the transition date, the final impact assessment may not reflect the current view of the likely impact based on the sample. The Group is continuing to assess the full impact on these areas of revenue.

The standard was endorsed by the EU on 22 September 2016.

IFRS 16 Leases
IFRS 16 Leases was issued in January 2016 and will replace IAS 17 Leases.

It is effective for accounting periods beginning on or after 1 January 2019, with the Group's initial date of application being 1 July 2019. The Group will apply the standard for the first time in the half year report ending 31 December 2019 and the annual report ending 30 June 2020.

The new standard will introduce a single lessee accounting model, eliminating the previous classification of leases as either operating or finance. All leases will require recognition of an asset and a related liability unless the lease term is 12 months or less or the underlying asset value is low.

The Group has conducted an initial review of its lease contracts and based on the operating leases in place at 30 June 2017, including judgements over expected extension options and lease terms for the new Group HQ property, expects a decrease in net assets on transition to the new standard of less than £5m as at the date of transition, 30 June 2019. In the years after transition, there would also be an impact on the Group's income statement when the fixed rental expense is replaced by a depreciation charge and an interest expense. This will lead to an increase in operating profit as a result of removing the operating lease expense net of the new leased asset depreciation charge. The overall impact to the Group's reported profit after tax is expected to be immaterial with a small net decrease in the initial years after transition which will reverse in later years as the leases in existence at transition come closer to ending.

The final transition impact assessment is still in progress and will be dependent on the transition method selected by the Group and the leases in existence at the transition date. Consequently, the actual transition impact may differ from the above impact guidance depending on business decisions made during the period to July 2019.

The standard has not yet been endorsed by the EU.

3. Significant accounting policies

Consolidation

The consolidated preliminary financial information incorporates the preliminary financial information of the Company and entities controlled by the Company made up to 30 June each year. Control is achieved when the Company has power over the entity and the ability to use its power to affect the returns it receives from its involvement with the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Where necessary, adjustments are made to the preliminary financial information of subsidiaries to bring the accounting policies in line with those used by the Group. All intra-group transactions, balances, equity, income and expenses are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be reliably measured in which case the value is subsumed into goodwill. The consideration transferred for the acquisition includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration may include specific research and development or other operational milestones and/or financial targets. Each element is fair valued at the date of acquisition using actual and projected data and statistical techniques. Key inputs include probability of success and consideration of expected timing. Future internal forecasts may also be used to help determine any financial targets.

Changes in the fair value of any contingent consideration from additional information obtained during the measurement period (up to a year from date of acquisition) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Changes in the fair value that do not qualify as measurement-period adjustments are not recognised until settlement if the contingent consideration was classified as equity at acquisition or are recognised immediately in profit if it was classified as an asset or liability on the balance sheet. Unsettled amounts of consideration are held at fair value within the relevant category of the balance sheet.

Acquisition-related costs are expensed to the income statement in the period they are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the recognition criteria under IFRS 3 *Business Combinations* (2008) are measured at their fair values at the date of acquisition, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments relating to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale are measured in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Investments in subsidiaries are accounted for at cost less impairment. Where applicable, cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair value of the net assets acquired. Where the fair value of the consideration is less than the fair value of the acquired net assets, the deficit is recognised immediately in profit or loss as a bargain purchase. Goodwill is capitalised and subject to an impairment review at least annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. The CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the carrying value may not be recoverable. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of that foreign operation and as such are translated at the relevant foreign exchange rate at the balance sheet date. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when title and risk have passed to the customer.

Custom service revenue is recognised proportionately when the outcome of each discrete stage of the contract can be estimated reliably and is based on the stage of completion of the contract activity per agreed milestones set out in the contract. Where the outcome cannot be estimated reliably, revenue is recognised to the extent of costs incurred where it is probable these will be recovered. In instances where it is probable that the costs will be in excess of the contract revenue, the expected loss is recognised as an expense immediately.

Licence fee income is recognised on delivery of the licensed technology where the Group's continued performance or future research and development services are not required. Payments received prior to this are recorded as deferred income.

Royalty revenue is recognised on an accruals basis based on the contractual terms and the substance of the agreements with the counterparty, provided that the amount can be reliably measured and it is probable that the economic benefit will flow to the Group.

Grant income is recognised in the same period as the related R&D expenses are incurred and is recorded through the corresponding expense line of the income statement.

Revenue derived from the Company's conferences is recognised when the conference is held; however, it is not material.

Interest income is accrued on a time basis, by reference to the principal outstanding and 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies
For the purposes of the consolidated preliminary financial information, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Company and the reporting currency for the consolidated preliminary financial information.

Foreign currency transactions in the individual companies are booked in the functional currency of that entity at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into their functional currency at the rates ruling at the balance sheet date. Exchange differences are included in the income statement.

On consolidation, the results and cash flows of overseas subsidiaries are translated into Sterling using the average exchange rates during the period, and the balance sheets translated at the rates ruling at the balance sheet date. Exchange differences arising on this translation are classified as equity and recognised in the translation reserve.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- differences arising on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting) which are recognised through other comprehensive income; and

- differences arising on foreign currency assets or liabilities designated as a net investment hedge of the Group's overseas operations which are recognised in the translation reserve.

Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the nature of the Group's obligations under the schemes is equivalent to those arising in a defined contribution retirement benefit scheme. The Group has no further obligations once the contributions have been paid.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The benefit of UK research and development is recognised under the UK's Research and Development Expenditure Credit (RDEC) scheme. The benefit is recorded as income included in profit before tax, netted against research and development expenses, as the RDEC is of the nature of a government grant.

Where the current tax deduction in respect of share option exercises exceeds the share option accounting charge for the period, the excess is recorded in the reserves rather than the income statement.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the preliminary financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively .

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment, fixtures and fittings	2 to 5 years
Laboratory equipment	1 to 5 years
Computer equipment	3 years
Hybridomas and assays	3 to 8 years
Motor vehicles	5 years

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 the income statement. Residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets under the course of construction are not depreciated.

Intangible assets
Payments made to acquire software, distribution rights, capitalised development work and contract-based intangibles from third parties are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. The principal expected useful lives used for this purpose are as follows:

Upfront licence fees	3 years
Distribution rights	1 to 10 years
Software	1 to 5 years
Contract based	Term of contract
Customer relationships	7 to 10 years
Patents, technology and know-how	5 to 15 years
Trade names	8 years

Patents, technology and know-how assets are only amortised once the development is complete and being utilised for its intended purpose; until this point the asset is deemed to be in progress. Other assets under the course of construction are not amortised.

Expenditure on development activities including internally generated intangible assets is recognised as an asset if and only if it meets the recognition criteria set out in IAS 38 Intangible Assets. Expenditure on research activities is recognised as an expense in the period in which it is incurred. Intangible assets under construction are not amortised.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, a review of the carrying amounts of the Group's and the Company's tangible and intangible assets is performed 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).

The 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.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and an attributable portion of production overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheets when the Group or the Company becomes a party to the contractual provisions of the instrument.

Available-for-sale financial assets
Where the Group holds an investment in shares which is classified as an available-for-sale financial asset it is stated at cost less any provision for impairment and estimated costs associated with the sale, unless the investment is in relation to shares traded on an active market where a fair valuation for all the shares can be obtained. Such investments are held at fair value, taken as the closing market value of the shares. Any revaluation gain or loss is recorded through other comprehensive income.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently held at amortised cost, less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. When a trade receivable is considered uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited to the income statement. Changes in the carrying amount of receivables are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Term deposits
Term deposits represent bank deposits and a charitable bond all with an original maturity of over three months.

Financial liabilities and equity instruments
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 or the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables
Trade payables are not interest bearing and are stated at amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments
Forward contracts are used by the Group and the Company to manage the exposure to foreign exchange rate risk associated with the variability in foreign currency rates and values in relation to both recognised assets or liabilities and forecast future transactions.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting
The Group and the Company designate certain derivatives as cash flow hedges of highly probable forecast foreign currency transactions. The Group and the Company have also designated contingent consideration payable as a hedge of their net investment in foreign operations.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows or net investment of the hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'administration and management expenses' line of the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in profit or loss.

Hedges of net investments in foreign operations
Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'administration and management expenses' line of the income statement.

Amounts accumulated in the translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

Share-based payments
Incentives in the form of shares are provided to employees under share option, Share Incentive Plan ("SIP"), Long Term Incentive Plan ("LTIP") and Deferred Share Award schemes. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the 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 shares that will eventually vest.

The grant date fair value of options issued under the Group's share option schemes is measured by the use of the Monte Carlo simulation.

The grant date fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo simulation for any market related performance conditions and the Black Scholes model for EPS and strategic performance conditions.

The grant date fair value of an equity-settled payment under the SIP is measured as the face value of the award on the date of grant.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to the reserves.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market based vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Group operates a scheme whereby the Non-Executive Directors of the Group are issued with options, the fair value of which is issued measured by the use of the Black Scholes model.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Group operates an employee share benefit trust as part of its incentive plans for UK-based employees. All assets and liabilities of the trust are recorded in the balance sheet as assets and liabilities of the Company until such time as the assets are awarded to the beneficiaries. All income and expenditure of the trust is similarly brought into the results of the Company.

Own shares
Own equity instruments which are acquired are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's preliminary financial information in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, when paid.

4. Risks and uncertainties

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported in the preliminary financial information. Actual amounts and results may differ from those estimates.

The Directors regularly evaluate the estimates and judgements. Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

The key accounting judgements and estimates included in the Group's preliminary financial information are discussed below.

a. Critical accounting judgements
Capitalisation of intangible assets
The Group capitalises internal software development costs relating to the enhancement of the Group's core IT systems architecture and developments, where the costs meet the recognition criteria of IAS 38. Judgement is required in applying the capitalisation criteria of IAS 38, differentiating between enhancements and maintenance, and in assessing an expected useful life of the resulting enhancement or development.

During the year £11.2m was capitalised, £8.7m within assets under construction and £2.5m within software assets, in relation to the Group's systems and process improvement project. The costs include external consultant costs and incremental staffing costs. In establishing the principles on which the costs are capitalised, the Directors have reviewed the nature of work being performed under the different phases of the project and the nature of the associated deliverables against the capitalisation criteria of IAS 38 and have identified the activities through the life of the project where the related costs should be expensed through the income statement.

Valuation of own manufactured inventory
The costs absorbed into the value of own manufactured inventory require a number of assumptions concerning the allocation of materials, labour and overheads. The assumptions have been made with reference to the requirements of IAS 2 *Inventories*. Judgement is used mainly in the application of materials to products produced and in selecting the types of overhead and company personnel that are appropriate to be included in the valuation.

b. Key sources of estimation uncertainty
Goodwill and other intangible asset impairment
Goodwill is deemed to have indefinite life and so is not amortised. The Group tests whether goodwill is impaired on at least an annual basis or more frequently when there are indications of possible impairment. The impairment review requires estimating the value-in-use of the Group's CGU, this estimation uses a number of input assumptions where management must apply judgement including:

- the estimation of forecast future cash flows, risk adjusted where relevant;
- the selection of an appropriate discount rate in order to calculate present value; and
- the selection of an appropriate terminal growth rate.

The assumptions used in the impairment test are set out in note 12. The valuations indicate that the Group has sufficient headroom and that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Other intangible assets are amortised. The Group reviews their carrying amount at each balance sheet date or if events occur which call into question the carrying values of the assets.

With the live release of certain initial modules of the Group's new Enterprise Resource Planning ("ERP") system during the year, a further review of the carrying value of existing software assets was conducted to identify any instances where the current development work will replace the predecessor development. A number of assets were identified and their remaining useful life shortened based on the expected replacement date. Consequently additional amortisation of £0.3m has been recognised in the current year (2016: £1.3m) to accelerate the amortisation.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and therefore inherently include an element of management judgement. Future events could cause the assumptions used in these impairment tests to change which may in turn mean future impairment charges to be recognised.

Provision for slow-moving or defective inventory
The provision for slow-moving inventory is based on management's estimation of the future sales of each of the Group's products over the period from the balance sheet date to the expiry date of the product, (the next eight years where evidence of normal product life cycle is shorter). Estimated future sales are based on historical actual sales and a growth rate assumption which is derived from the average annual growth over the product life to date.

If actual unit sales growth rates differ from those estimated by management, both the level of provision against existing inventory and the rates of provision applied to inventory in future periods would need to be revised.
Provision for bad or doubtful debts
The Group has a significant trade receivable balance from a large number of customers at any given point in time. Consequently estimating the required provision for such a debtor book requires a regular review to identify those customers where events (either historical or current) give management an indication that future collectability may be uncertain.

During the year a review of the historical default rate was undertaken to update the provision input assumption. The recent historical trend showed a very low level of actual write-offs, thereby resulting in a revision of the expected collectability of the Group's debtor portfolio. Consequently £0.7m of the provision has been released to the income statement.

Taxation
The Group is subject to income taxes in various jurisdictions. Significant judgement is employed to determine the income tax provision on a global basis. There are numerous transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group holds significant deferred tax assets on the balance sheet in relation to acquired tax losses. Assessments were performed by third party experts to verify the availability of these acquired tax losses and as such partly utilise them within both the tax returns submitted for the year ended 30 June 2016 and against the provision at 30 June 2017.

The carrying value of the deferred tax asset is based on expected levels of future taxable profit in the relevant jurisdictions which are estimated from management forecasts. If actual profitability differs significantly by jurisdiction in the future, this could impact the level of losses that it is possible to utilise and therefore would require an impairment of the tax asset value.

5. Operating segments

Products and services from which reportable segments derive their revenues

The Directors consider that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business. The information reported to the Group's Chief Executive Officer, who is considered the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8 *Operating Segments*, which is 'sales of antibodies and related products'. The Group's revenue and assets for this one reportable segment can be determined by reference to the Group's income statement and balance sheet.

The Group has no individual product or customer which contributes more than 10% of its revenues.

Geographical information

The Group's revenue from external customers and information about its non-current segment assets (excluding deferred tax and derivative financial instruments) by geographical location is detailed below:

	Revenue		Non-current assets	
	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000	**As at 30 June 2017 £000**	As at 30 June 2016 £000
US	**91,780**	76,817	**172,272**	171,228
China	**26,678**	18,844	**3,702**	3,912
Japan	**18,162**	12,321	**61**	57
UK	**12,660**	11,213	**35,315**	25,049
Germany	**12,400**	9,294	**—**	—
Other countries	**55,418**	43,184	**70**	47

	217,098	171,673	**211,420**	200,293

Revenues are attributed to countries on the basis of the customer's location. No country included within 'Other countries' contributes more than 5% of the Group's total revenue.

Revenue by type is shown below:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Catalogue revenue	**202,448**	158,961
Custom products and licensing revenue[1]	**14,650**	12,712
Total reported revenue	**217,098**	171,673

1 Includes custom services, IVD/IHC, royalties and licence income.

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Note	**Year ended 30 June 2017 £000**	Year ended 30 June 2016 £000
Cost of inventories recognised as an expense		**54,701**	41,379
Write down of inventories recognised as an expense		**805**	1,536
UK R&D tax credits		**(705)**	(1,848)
R&D expenditure (including amortisation, excluding UK R&D tax credits)		**19,270**	14,669
Staff costs	8	**52,663**	41,492
Operating lease rentals – land and buildings	21	**3,953**	3,369
Auditors' remuneration	7	**205**	171
Impairment (gain)/loss recognised on trade receivables	17	**(693)**	29
Foreign exchange differences arising on financial instruments at fair value through profit or loss		**(1,232)**	2,404
Other net foreign exchange differences (including cash flow hedge movements reclassified from other comprehensive income)		**10,780**	(780)
Depreciation of property, plant and equipment	14	**5,613**	3,879
Amortisation of intangible assets included within administration and management expenses	13	**3,803**	3,749
Amortisation of acquisition-related intangible assets included within administration and management expenses	13	**1,527**	1,260
Amortisation of acquisition-related intangible assets included within R&D expenditure	13	**4,383**	2,467
Loss on disposal of intangible assets	13	**-**	164

7. Auditors' remuneration

A detailed analysis of the auditors' remuneration on a worldwide basis is provided below:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Fees payable to the Company's auditors' for the audit of the parent company and the consolidation	**149**	138
Total audit fees	**149**	138
Audit-related assurance services[1]	**20**	23
Audit of the Company's subsidiaries pursuant to legislation	**29**	10
Other services[2]	**7**	—
Total other services fees	**56**	33
Total auditor remuneration	**205**	171

1 This relates to the interim review.

2 This relates to subscription to accounting reference materials and grant claim reporting.

Details of the Group's policy on the use of the auditors' for non-audit services are set out in the Audit and Risk Committee Report of the annual report. No services were provided pursuant to contingent fee arrangements.

8. Employees and remuneration

The average monthly number of employees (including Executive Directors) was:

	Group	
	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
Management, administrative, marketing and distribution	**647**	572
Laboratory	**301**	310
	948	882

Their aggregate remuneration comprised:

	Group	
	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Wages and salaries	**45,372**	35,090
Social security costs	**4,529**	4,086
Other pension costs	**2,759**	2,235
Charge in respect of share options and awards granted	**3,873**	2,243
Total staff costs	**56,533**	43,654
Staff costs capitalised[1]	**(3,870)**	(2,162)
Net staff costs	**52,663**	41,492

1 Staff costs capitalised relates to Group staff costs directly attributable to system development, which include the implementation of the new ERP system, being capitalised as part of internally generated intangible software assets under IAS 38 (see note 13).

9. Finance income and costs

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Unwinding of discount on contingent consideration (note 24)	**(3,399)**	(1,050)
Interest expenses	**(25)**	(2)
Finance costs	**(3,424)**	(1,052)
Interest income on cash and term deposits	**162**	146
Finance income	**162**	146
Net finance costs	**(3,262)**	(906)

10. Taxation

	Note	**Year ended 30 June 2017 £000**	Year ended 30 June 2016 £000
Current income tax charge		**11,841**	10,466
Adjustment in respect of current income tax of prior years		**(1,390)**	(1,200)
Total current income tax charge		**10,451**	9,266
Origination and reversal of temporary differences		**(2,039)**	(1,079)
Adjustment in respect of deferred tax of prior periods		**1,100**	(466)
Deferred tax rate change		**5**	262
Total deferred income tax credit	15	**(934)**	(1,283)
Total income tax charge		**9,517**	7,983

UK corporation tax is calculated at 19.75% (2016: 20%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017.

In the budget of 16 March 2016, the Chancellor of the Exchequer announced that the Corporation Tax main rate will be reduced by an additional 1% for the Financial Year beginning 1 April 2020. The legislation in Finance Act 2016 set the rate at 17%, replacing the rate set for Financial Year 2020 in the Finance (No. 2) Act 2015. This will have an effect on the Group's future tax position. The standard rate of UK corporation tax will now reduce to 17% from 1 April 2020. These proposed changes were substantively enacted when the Finance Bill 2016 received Royal Assent on 15 September 2016

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the Group and also the future valuation of any deferred tax liabilities or assets.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2017 £000	**Year ended 30 June 2017 %**	Year ended 30 June 2016 £000	Year ended 30 June 2016 %
Profit before tax	**51,874**		45,412	
Tax at the UK corporation tax rate of 19.75% (2016: 20.0%)	**10,245**	**19.8**	9,082	20.0
Adjusted in respect of foreign tax rates	**945**	**1.8**	1,618	3.6
Tax effect of expenses that are not deductible in determining taxable profit	**1,307**	**2.5**	697	1.5
Additional relief in relation to overseas entities	**(1,391)**	**(2.6)**	(1,390)	(3.1)
R&D tax credit uplift	**(344)**	**(0.7)**	(416)	(0.9)
Recognition of deferred tax previously unrecognised[2]	**(960)**	**(1.9)**	(204)	(0.4)
Adjustments in respect of prior years[1]	**(290)**	**(0.6)**	(1,666)	(3.7)
Effect of difference between closing deferred tax rate and current tax rate	**5**	**0.0**	262	0.6

Tax expense and effective rate for the year	**9,517**	**18.3**	7,983	17.6

1 Adjustments includes an additional tax charge in relation to the Company's election to move to the above the line research and development expenditure credit in relation to the years ended 30 June 2015 and 30 June 2014, a tax credit in relation to the usual two year claim and elections made in the resubmission of the UK tax return for the year ended 30 June 2014, and credits related to changes in estimates of the prior year tax charges following receipt of refunds.

2 The recognition of deferred tax not previously recognised relates to the tax attributes acquired from Epitomics Inc. During the year ended 30 June 2017 a third party report to determine the availability of these attributes was analysed and implemented by management. It was concluded that these attributes were available for utilisation and would be utilised within the required time limits. Therefore a one-off adjustment was made to recognise these attributes, some of which has already unwound.

11. Earnings per share

The calculation of the basic and diluted EPS, shown below the income statement, is based on the following data:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Earnings		
Earnings for the purposes of basic and diluted EPS, being net profit attributable to owners of the parent	**42,357**	37,429

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	**202,655,252**	201,147,931
Effect of dilutive potential ordinary shares:		
Share options	**1,568,601**	854,936
Weighted average number of ordinary shares for the purposes of diluted EPS	**204,223,853**	202,002,867

Basic EPS is calculated by dividing the earnings attributable to the owners of the parent by the weighted average number of shares outstanding during the year. Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment for the weighted average shares in issue to reflect the effect of all dilutive potential ordinary shares. The number of dilutive potential ordinary shares is derived from the number of share-based options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and where it is considered performance conditions will be met.

Adjusted earnings per share

The calculation of adjusted EPS is based on adjusted profit after tax, which is as follows:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Adjusted earnings		
Adjusted profit after tax	**51,995**	45,152

The adjusted EPS information is provided to allow a clear method for year-on-year comparison. The denominators used are the same as those detailed above for both basic and diluted earnings per share. A reconciliation from profit after tax to adjusted profit after tax is provided within Alternative Performance Measures.

	Year ended 30 June 2017	Year ended 30 June 2016
Basic EPS	**20.90p**	18.61p
Diluted EPS	**20.74p**	18.53p
Adjusted basic EPS	**25.66p**	22.45p
Adjusted diluted EPS	**25.46p**	22.35p

12. Goodwill

	£000
Cost and carrying amount	
At 1 July 2015	85,200
Acquired on acquisition of subsidiary (note 27)	11,837
Exchange differences	15,425
At 30 June 2016 and 1 July 2016	112,462
Exchange differences	3,049
At 30 June 2017	**115,511**
Accumulated impairment losses	
At 1 July 2015, 1 July 2016 and **30 June 2017**	**—**

Goodwill is converted at the exchange rate on the date of acquisition and retranslated at the balance sheet date.

Group goodwill acquired in the year ended 30 June 2016 relates to the acquisition of AxioMx Inc ("AxioMx") on 11 November 2015. Note 27 contains further details of the transaction and resulting financial impact on the Group.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Directors consider there to be one CGU as acquisitions are integrated into the Group's operations and product portfolio; see note 5. Any discrete financial information which is available for an individual entity does not reflect the true substance of the performance of that entity or its value in use within the Group. There have been no changes to the Group organisation during the period which would require a reallocation of the goodwill balance.

The Abcam Group CGU is tested for impairment on a Group-wide basis using the future forecast cash flows arising from the Abcam business as a whole.

The Group performs an annual test for goodwill impairment or more frequently if there are any indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions considered most sensitive for the value in use calculations are those regarding the discount rates and growth rates after five years.

Management has projected cash flows based on financial forecasts over a period of five years. A growth rate of 2.3% has been used in the extrapolation of cash flows beyond the five years based on expected inflationary increases of the economies in which the Group predominantly trades. A pre-tax discount rate of 9.4% has been estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

Management has performed a sensitivity analysis on the key assumptions mentioned above. Based on the results of this analysis, management is satisfied that the recoverable amount of goodwill exceeds its carrying amount. As such, no impairment of goodwill has been recognised at the balance sheet date.

Due to the headroom which exists between the recoverable amount and the carrying value there is currently no reasonable possible change in any of these key assumptions which would cause the CGU's carrying amount to exceed its recoverable amount.

13. Intangible assets

	Upfront licence fees £000	Distribution rights £000	Software £000	Contract based £000	Assets under construction £000	Customer relationships £000	Patents, technology and know-how £000	Trade names £000	Total £000
Cost									
At 1 July 2015	527	1,097	8,759	3,532	203	5,005	39,625	2,068	60,816
Additions	30	259	566	—	6,753	—	—	—	7,608
Transfer to asset in use	—	—	2,653	—	(2,653)	—	—	—	—
Reallocations	—	209	132	—	—	—	—	—	341
Acquisition of subsidiary (note 27)	—	—	—	485	—	—	15,928	—	16,413
Disposals in year	—	—	(231)	—	—	—	—	—	(231)
Exchange differences	1	—	132	685	—	800	9,023	365	11,006
At 30 June 2016 and 1 July 2016	558	1,565	12,011	4,702	4,303	5,805	64,576	2,433	95,953
Additions	1	1	2,515	—	8,685	—	—	—	11,202
Transfer to asset in use	—	—	736	—	(736)	—	—	—	—
Disposals in year	—	(413)	(2)	—	—	—	—	—	(415)
Exchange differences	2	—	24	136	—	154	1,828	70	2,214
At 30 June 2017	**561**	**1,153**	**15,284**	**4,838**	**12,252**	**5,959**	**66,404**	**2,503**	**108,954**
Accumulated amortisation									
At 1 July 2015	514	1,009	3,719	2,361	—	1,674	5,900	824	16,001
Charge for the year	13	149	3,781	248	—	544	2,468	273	7,476
Reallocations	—	209	132	—	—	—	—	—	341
Disposals in year	—	—	(67)	—	—	—	—	—	(67)
Exchange differences	—	—	49	433	—	308	1,028	176	1,994
At 30 June 2016 and 1 July 2016	527	1,367	7,614	3,042	—	2,526	9,396	1,273	25,745
Charge for the year	17	95	3,921	356	—	624	4,381	319	9,713
Disposals in year	—	(413)	(2)	—	—	—	—	—	(415)
Exchange differences	—	—	9	81	—	54	148	31	323
At 30 June 2017	**544**	**1,049**	**11,542**	**3,479**	**—**	**3,204**	**13,925**	**1,623**	**35,366**
Carrying amount									
At 30 June 2016	31	198	4,397	1,660	4,303	3,279	55,180	1,160	70,208
At 30 June 2017	**17**	**104**	**3,742**	**1,359**	**12,252**	**2,755**	**52,479**	**880**	**73,588**

The amortisation period for the upfront licence fees, software and distribution rights is referred to in note 3.

Material intangible assets
Software intangible assets relate to software licences, as well as the core IT systems, inclusive of the new ERP system.

Contract-based intangibles relates to:

- an agreement with the University of Oregon, under which the university supplies monoclonal antibodies to MitoSciences Inc, which has full rights and entitlement to commercially exploit these materials in exchange for an ongoing fee. The remaining amortisation period is seven years, being the remaining term of the agreement; and
- a support agreement with a third party acquired during the year ended 30 June 2016 as part of the AxioMx acquisition that had a remaining term of three years at acquisition which has been adopted as the asset's useful life. The remaining amortisation period is four months.

Assets under construction are software related. The costs capitalised relate to the development of the core IT systems architecture, including the build of the new ERP system. These are not amortised until available for use in the business.

Customer relationships mainly relates to access to new customers as part of the Epitomics acquisition, namely in the reagents and services business. The remaining amortisation period is five years in line with the history of the business.

Patents, technology and know-how relates to acquired technology as part of the Group's acquisitions:

- RabMAb® technology as part of the Epitomics business with a remaining amortisation period of ten years, being the remaining term of the primary patent;
- multiplex and complex assay technology acquired as part of the Firefly BioWorks business. The amortisation period will be the remaining term on the primary patent, which is twelve years; and
- in-vitro monoclonal antibody production technology was acquired during the year ended 30 June 2016 with the acquisition of AxioMx. The useful life was set in line with the remaining life on the patents existing at acquisition. The remaining amortisation period is sixteen years.

Trade names relate to RabMAb® and Epitomics. The remaining amortisation period is three years.

14. Property, plant and equipment

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Leasehold improvements under construction £000	Hybridomas and assays £000	Hybridomas under construction £000	Motor vehicles £000	Total £000
Cost								
At 1 July 2015	2,429	11,561	4,177	—	6,885	1,378	150	26,580
Additions	995	1,370	3,230	—	862	1,517	—	7,974
Acquisition of subsidiary (note 27)	1	109	5	—	—	—	—	115
Transfer to asset in use	—	—	—	—	1,584	(1,584)	—	—
Transfers	—	(1,725)	1,745	—	539	—	—	559
Disposals	(41)	(190)	(1)	—	—	—	—	(232)
Exchange differences	133	562	624	—	621	12	13	1,965
At 30 June 2016 and 1 July 2016	3,517	11,687	9,780	—	10,491	1,323	163	36,961
Additions	530	2,912	2,121	1,066	1,494	2,101	—	10,224
Transfer to asset in use	—	—	—	—	1,909	(1,909)	—	—
Reclassifcation	—	—	(577)	577	—	—	—	—
Disposals	(103)	(586)	(50)	—	—	—	—	(739)
Exchange differences	31	224	103	—	123	4	1	486
At 30 June 2017	**3,975**	**14,237**	**11,377**	**1,643**	**14,017**	**1,519**	**164**	**46,932**
Accumulated depreciation								
At 1 July 2015	1,672	8,149	2,597	—	1,657	—	54	14,129
Charge for the year	561	1,314	691	—	1,297	—	16	3,879
Transfers	—	(1,588)	1,608	—	539	—	—	559
Disposals	(40)	(186)	(1)	—	—	—	—	(227)
Exchange differences	103	331	298	—	260	—	6	998
At 30 June 2016 and 1 July 2016	2,296	8,020	5,193	—	3,753	—	76	19,338
Charge for the year	962	1,619	1,162	—	1,856	—	14	5,613
Disposals	(103)	(583)	(50)	—	—	—	—	(736)
Exchange differences	30	224	96	—	46	—	—	396
At 30 June 2017	**3,185**	**9,280**	**6,401**	**—**	**5,655**	**—**	**90**	**24,611**
Carrying amount								
At 30 June 2016	1,221	3,667	4,587	—	6,738	1,323	87	17,623
At 30 June 2017	**790**	**4,957**	**4,976**	**1,643**	**8,362**	**1,519**	**74**	**22,321**

15. Deferred tax assets and liabilities

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years.

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payments £000	Acquired intangible assets £000	Losses £000	Other temporary differences £000	Total £000
At 30 June 2015	(1,277)	(441)	1,582	(14,779)	1,798	3,436	(9,681)
Credit/(charge) to income	112	336	406	898	(738)	269	1,283
Acquisition of subsidiary	—	—	—	(6,306)	1,173	—	(5,133)
Credit/(charge) to equity	—	1,995	613	—	—	(173)	2,435
Exchange differences	(142)	—	—	(2,751)	406	260	(2,227)
At 30 June 2016	(1,307)	1,890	2,601	(22,938)	2,639	3,792	(13,323)
Credit/(charge) to income	580	(231)	(204)	1,779	(814)	(176)	934
Charge to equity	—	(1,546)	(731)	—	—	—	(2,277)
Exchange differences	5	—	—	(721)	65	57	(594)
At 30 June 2017	**(722)**	**113**	**1,666**	**(21,880)**	**1,890**	**3,673**	**(15,260)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 June 2017 £000	30 June 2016 £000
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	**3,295**	6,652
- Deferred tax assets to be recovered within 12 months	**3,325**	2,963
	6,620	9,615
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	**(19,752)**	(20,806)
- Deferred tax liabilities to be recovered within 12 months	**(2,128)**	(2,132)
	(21,880)	(22,938)
Deferred tax liabilities (net)	**(15,260)**	(13,323)

The deferred tax liability of £21,880,000 (2016: £22,938,000) has been recognised in relation to the acquired intangible assets as a result of the acquisitions. Amounts released from this liability during the year were £1,779,000 (2016: £898,000), representing the decrease of the deferred tax liability in line with amortisation charged against the carrying value of the associated intangible assets.

16. Inventories

	30 June 2017 £000	30 June 2016 £000
Raw materials	**3,457**	3,075
Work in progress	**2,151**	2,221
Finished goods	**16,153**	14,379
	21,761	19,675

17. Financial assets

Trade and other receivables

	30 June 2017 £000	30 June 2016 £000
Amounts receivable for the sale of goods and services	**21,980**	20,292
Allowance for doubtful debts	**(26)**	(698)
	21,954	19,594
Other receivables[1]	**10,254**	6,255
Prepayments	**2,430**	2,655
	34,638	28,504

[1]Included within other receivables is £6.1 million (2016: £0.7 million) held in an escrow account. This forms a deposit for work to be performed by contractors in the construction of the Group's new global headquarters at the Cambridge Biomedical Campus.

Trade receivables

Ageing of Trade Receivables:

	30 June 2017 Gross £000	30 June 2017 Provision £000	30 June 2016 Gross £000	30 June 2016 Provision £000
Not past due	**17,156**	**-**	14,918	-
0 to 30 days overdue	**3,238**	**(2)**	3,636	(307)
30 to 60 days overdue	**600**	**(1)**	891	(66)
60 to 90 days overdue	**669**	**-**	371	(34)
More than 90 days overdue	**317**	**(23)**	476	(291)
	21,980	**(26)**	20,292	(698)

Movement in the allowance for doubtful debts

	30 June 2017 £000	30 June 2016 £000
Balance at the beginning of the year	**(698)**	(565)
Impairment gains/(losses) recognised in the income statement	**693**	(29)
Additional provision in the year	**(9)**	(23)
Exchange differences on translation of foreign operations	**(12)**	(81)
Balance at the end of the year	**(26)**	(698)

The average credit period taken for sales is 31.8 days (2016: 36.5 days). No interest has been charged on the receivables. Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience. A detailed review of historical debtor default was undertaken during the year, which demonstrated a low trend of actual write offs and thereby resulted in a revision of the expected collectability of the Group's trade receivable portfolio. Consequently, £693,000 of the provision has been released to the income statement in the period.

Credit limits for each customer are reviewed on a monthly basis. No customer represents more than 5% of the total balance of trade receivables.

The Group does not hold any collateral or other credit enhancements over its trade receivables, nor do they have a legal right to offset against any amounts owed to the counterparty.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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

18. Available-for-sale financial asset

	30 June 2017 £000	30 June 2016 £000
Shares	**985**	797

The Group holds a 3.92% interest in Plexbio Co. Limited (Plexbio), a biotechnology company headquartered in Taiwan which was listed on the Taiwan Emerging Stock Board in the year ended 30 June 2016. Plexbio was established to research, develop and manufacture IVD kits.

For the year ended 30 June 2016, the Directors did not believe that the conditions for an active market had been met and determined the fair value to be in line with the original cost. A further 12 months of trading has allowed trading prices to stabilise from initial listing and are therefore a more reliable indication of the investment fair value. Consequently the fair value at 30 June 2017 is based on the year end quoted market price. See note 24 for further details.

19. Derivative financial instruments

30 June 2017

	Current		Non-current		
	Asset £000	**Liability £000**	**Asset £000**	**Liability £000**	**Total £000**
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	**227**	**(845)**	**—**	**—**	**(618)**
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	**1,100**	**(1,245)**	**193**	**(99)**	**(51)**
	1,327	**(2,090)**	**193**	**(99)**	**(669)**

30 June 2016

	Current		Non-current		
	Asset £000	Liability £000	Asset £000	Liability £000	Total £000
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	6	(1,856)	—	—	(1,850)
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	5	(7,411)	—	(1,231)	(8,637)
	11	(9,267)	—	(1,231)	(10,487)

Further details of derivative financial instruments are provided in note 24.

20. Trade and other payables

	30 June 2017 £000	30 June 2016 £000
Amounts falling due within one year		
Trade payables	**6,872**	4,241
Accruals	**18,984**	14,067
Other taxes and social security	**1,375**	743
Other payables	**2,057**	1,027
	29,288	20,078

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. At 30 June 2017, the Group had an average of 29.3 days of purchases (2016: 22.8 days) outstanding in trade payables (excluding accruals and deferred income). Most suppliers do not charge interest for the first 60 days of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timetable. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

21. Commitments

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Lease payments under operating leases recognised as an expense in the year:		
Land and buildings	**3,953**	3,369

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, all of which relate to land and buildings, which fall due as follows:

	30 June 2017 £000	30 June 2016 £000
Falling due before one year	**4,674**	3,855
Between one to five years	**10,047**	12,592
After more than five years	**355**	650
	15,076	17,097

The above table reflects the committed cash payments under operating leases, rather than the expected charge to the income statement in the relevant periods. The charge in the year ended 30 June 2018 on these operating leases is expected to be £4.7m. At the year end the Group had additional commitments of £6.3m relating to the acquisition of property, plant and equipment and intangible assets (2016: £0.8m), most of which relates to the construction of the Group's new global headquarters at the Cambridge Biomedical Campus.

22. Capital and reserves

Share capital

	30 June 2017 £000	30 June 2016 £000
Issued and fully paid:		
204,469,825 (2016: 202,601,452) ordinary shares of 0.2 pence each	**409**	405

The movement during the year on the Company's issued and fully paid shares was as follows:

	2017 Number	**2017 £000**	2016 £000
Balance at beginning of year	**202,601,452**	**405**	402
Issue of share capital	**1,868,373**	**4**	3
Balance at end of year	**204,469,825**	**409**	405

The Company has one class of ordinary shares which carries no right to fixed income. The share capital issued during the year arose from the exercise of share options, the settlement of an element of the contingent consideration and the issue of shares to the Abcam Employee Share Benefit Trust.

Share premium

	£000
Balance at 1 July 2015	19,522
Premium arising on issue of equity shares	2,027
Balance at 30 June 2016 and 1 July 2016	21,549
Premium arising on issue of equity shares	2,361
Balance at 30 June 2017	**23,910**

There were no costs of issue incurred during the year or the previous year.

Own shares

	£000
Balance at 1 July 2015	(2,812)
Issued / acquired in the year	(658)
Disposed of on exercise of options	239
Balance at 30 June 2016 and 1 July 2016	(3,231)
Issued / acquired in the year	(921)
Disposed of on exercise of options	526
Balance at 30 June 2017	**(3,626)**

This balance represents the cost of 728,909 shares with a nominal value of £1,458 in Abcam plc (2016: 772,936 with a nominal value of £1,546) which were issued by the Company at market value and held by the Abcam Employee Share Benefit Trust. These shares are held in order to satisfy the Free Shares and Matching Shares elements of the SIP. See note 25 for further details of this scheme.

Reserves

Translation reserve

The translation reserve comprises foreign currency differences from the translation of the preliminary financial information of foreign operations and movements in the net investment hedge.

Share-based payment reserve and tax reserve

The share-based payment reserve comprises the IFRS 2 charge for the fair value of share-based options and awards. In accordance with IAS 12 the tax reserve comprises the portion of the deferred tax arising on outstanding share options not taken to the income statement and the portion of current tax on exercised share options not taken to the income statement. Both reserves are presented as part of retained earnings.

Hedging reserve

The hedging reserve comprises gains and losses recognised on cash flow hedges and the associated deferred tax assets and liabilities created.

Merger reserve

The merger reserve comprises the premium issued on shares allotted as consideration for acquisitions where conditions for merger relief are satisfied.

23. Dividends

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Amounts recognised as distributions to the owners of the parent in the year:		
Final dividend for the year ended 30 June 2016 of 6.556 pence (2015: 5.92 pence) per share	**13,316**	11,975
Interim dividend for the year ended 30 June 2017 of 2.825 pence (2016: 2.354 pence) per share	**5,754**	4,765
Total distributions to owners of the parent in the period	**19,070**	16,740
Proposed final dividend for the year ended 30 June 2017 of 7.355 pence (2016: 6.556 pence) per share	**15,039**	13,297

The proposed final dividend is subject to approval of the shareholders at the AGM and has not been included as a liability in this preliminary financial information.

24. Financial instruments

Capital risk management

The capital structure of the Group consists of cash and cash equivalents and total equity attributable to the owners of the parent. The Group maintains a capital structure with the following objectives:

- to protect the ability of the Group to continue as a going concern and maintain sufficient available resources as protection for unforeseen events
- to provide flexibility of resource for strategic growth and investment where opportunities arise
- to provide reasonable returns to shareholders whilst maintaining a limited level of risk

As part of achieving these objectives the Group identifies the principal financial risk exposures that are created by the Group's financial instruments and monitors them on a regular basis. These are considered to be foreign currency risk (a component of market risk), credit risk and liquidity risk.

Where appropriate, the Group uses financial derivatives to help mitigate the key risks. The use of financial derivatives is governed by the Group's policies approved by the Board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign Currency risk

Currency risk is the risk that a change in currency rates causes an adverse impact on the Group's performance or financial position.

The Group has transactions denominated in various currencies other than the Group's presentational currency, GBP. The Group's principal currency exposure is to fluctuations in USD, Euro, Chinese Renmimbi and Yen. Collectively these currencies make up approximately 89% of the Group's revenue. Whilst a large portion of the manufacturing and research and development costs are USD and RMB giving a natural offset against the currency inflows, the majority of administration costs remain as GBP leaving an overall net currency inflow in the Group's operating profit and cash flows.

This remaining currency exposure is centrally managed with the objective being to secure a level of certainty of GBP value for up to 90% of the future net exposure based on forecast cash flows expected to occur up to 18 months ahead. The Group uses forward currency contracts to achieve this objective and applies hedge accounting where applicable.

Foreign currency forward contracts are valued using quoted forward exchange rates and the yield curves derived from quoted interest rates matching maturities of the contracts.

The Group's open forward currency contracts and their maturity profile as at the year-end is as follows:

Outstanding contracts	**Average rate 30 June 2017**	**Foreign currency 30 June 2017 000**	Average rate 30 June 2016	Foreign currency 30 June 2016 000
Sell US Dollars				
Less than 3 months	**1.3409**	**$10,081**	1.5274	$10,122
3 to 6 months	**1.2958**	**$8,598**	1.5245	$7,625
7 to 12 months	**1.2708**	**$13,827**	1.4806	$15,094
13 to 18 months	**1.2916**	**$7,479**	1.4681	$5,863
	1.2966	**$39,985**	1.4992	$38,704
Sell Euros				
Less than 3 months	**1.2304**	**€ 9,521**	1.3744	€ 9,427
3 to 6 months	**1.1829**	**€ 11,149**	1.3588	€ 10,929
7 to 12 months	**1.1477**	**€ 18,253**	1.3197	€ 18,885
13 to 18 months	**1.1375**	**€ 8,024**	1.2849	€ 7,904
	1.1705	**€ 46,947**	1.3332	€ 47,145
Sell Yen				
Less than 3 months	**146.17**	**¥408,637**	182.13	¥337,224
3 to 6 months	**139.63**	**¥425,766**	175.49	¥552,379
7 to 12 months	**137.80**	**¥877,640**	168.97	¥841,098
13 to 18 months	**140.35**	**¥360,647**	158.90	¥297,713
	140.19	**¥2,072,690**	171.16	¥2,028,414
Sell Chinese Renminbi				
Less than 3 months	**8.7851**	**¥13,618**	8.8832	¥4,400
3 to 6 months	**8.9766**	**¥9,748**	8.9415	¥3,300
	8.8640	**¥23,366**	8.9081	¥7,700

At 30 June 2017, the fair value of contracts held as cash flow hedges is a liability of £0.1m (2016: liability of £8.6m). The remaining contracts are not held as cash flow hedges. The gain on the financial assets at fair value through the profit and loss account was £1.2m (2016: loss of £2.4m). The gain of £8.6m (2016: £10.8m loss) recognised through comprehensive income is the combination of fair value gains in the year of £1.2m (2016: £8.6m losses) and transfers to the income statement of £7.4m (2016: £2.2m loss) included within administration and management expenses.

The Group may also use other currency-denominated financial instruments, such as contingent consideration, as net investment hedges against the currency translation of overseas subsidiaries results. During the year the USD contingent consideration which was designated as a hedging instrument against the net investment of the US subsidiaries was settled.

Currency risk sensitivity analysis
The following table shows the sensitivity of the Group's financial instruments to changes in exchange rates by detailing the impact on profit and other comprehensive income of an 10% change in the sterling exchange rate against the relevant foreign currencies.

10% represents management’s assessment of the reasonable possible change in foreign exchange rates over a 12-month period. This is a lower assessment than in the prior year as a reflection of the less volatile currency environment experienced through the last 12 months since Brexit.

The sensitivity analysis only includes financial instruments denominated in non-functional currency and forward currency contracts outstanding at the reporting date. It represents the impact of an immediate 10% change in currency rates on that position. +10% is a strengthening in sterling against the other currencies, -10% is a weakening of sterling against the other currencies.

	US Dollar currency impact		Euro currency impact		Yen currency impact		RMB currency impact	
	+10% £000	-10% £000	**+10% £000**	-10% £000	**+10% £000**	-10% **£000**	**+10%** £000	-10% £000
30 June 2017								
Income statement	**468**	**(572)**	**510**	**(623)**	**255**	**(312)**	**381**	**(466)**
Other comprehensive income	**2,315**	**(2,829)**	**3,269**	**(3,995)**	**1,043**	**(1,275)**	**99**	**(121)**
30 June 2016								
Income statement	434	(531)	480	(586)	224	(274)	307	(366)
Other comprehensive income	2,189	(1,953)	3,132	(3,828)	1,134	(1,386)	46	(52)

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since it is limited to the year-end exposure and does not reflect the exposure during the year.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient funds available in the right currency to settle its obligations as they fall due.

The Group generates funds from operational activities in excess of its operational requirements and has substantial cash balances available for its current investment activities.

The Board reviews the funding requirement of the Group as part of the budgeting and long term planning processes and considers as necessary alternative possible sources of funding where the requirement is not satisfied by the Group's forecast operational cash generation.

The Group manages liquidity risk by maintaining an adequate level of easily accessible cash reserves, in a currency profile representative of the Group's cost base and matching customer and supplier terms where possible. The Group also has access to daily currency trading facilities which provides the ability to convert currency within the agreed settlement limits as required.

The maturity profile of financial liabilities shown below represents the Group's gross expected contractual cash flows.

	Less than six months £000	**Between six months and one year £000**	**Over one year £000**	**Total £000**
2017				
Trade and other payables	**(23,606)**	**(1,995)**	**—**	**(25,601)**
Derivative Financial Instruments	**(39,797)**	**(33,153)**	**(15,417)**	**(88,367)**

	Less than six months £000	Between six months and one year £000	Over one year £000	Total £000
2016				
Trade and other payables	(18,052)	(1,283)	—	(19,335)
Derivative Financial Instruments	(32,394)	(29,482)	(12,019)	(73,895)

The Group holds sufficient funds to meet these commitments as they fall due.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group is exposed to credit risk on its financial assets which consist of cash, derivative instruments, and trade and other receivables to the extent that settlement is cash-related. The Group does not have a significant exposure to this type of financial risk due to the nature of its customer base and the types of transaction that are undertaken.

Trade receivables consist of a large number of customers spread globally with the majority being in economically strong geographies. The Group has a high volume of transactions spread across its customer base and therefore does not have a significant exposure to the credit worthiness of any single counterparty.

The Group's customer base is predominantly representatives from government-funded institutions, pharmaceutical companies conducting research, and local distributors. Whilst there is some exposure for future sales linked with the local economies, a significant portion of the existing Group receivables are funded in advance of purchase due to the nature of the counterparty thereby giving a lower likelihood of default.

Trade receivables are managed and monitored locally which includes deciding whether to allow credit, setting an appropriate credit limit, and subsequent on-going monitoring of receivable aging along with other indicators where credit risk on a given customer or group of customers may have changed, such as an observable change in local economic conditions. The standard payment terms for receivables is 30 days.

Any receivable where collectability is considered doubtful based on past experience or due to a trigger event occurring specific to that customer, is provided in full. At the point when it is certain that a receivable will not be settled, the carrying value is written off, and the related provision released against the expense. Further information on the Group's trade receivable aging and impairment can be found in Note 17.

The Group generates significant levels of operational cash. Where these are not yet required for business opportunities, the excess cash is remitted and managed centrally. The maximum exposure to counterparty default is the carrying amount of cash and open currency contracts held at any given time. This exposure is managed by limiting the concentration of funds and contracts held with any individual financial institution. Funds are only placed with institutions or in products rated BBB- or above by Standard & Poor's. The Group monitors the credit rating of the major institutions along with any increasing cash concentration on a quarterly basis to identify any change in credit risk exposure.

Interest rate risk

Interest rate risk is the risk that a change in interest rates adversely effects the Group or Company's performance or ability to settle financial obligations.

As the Group does not hold any external debt and is not dependent on income from investment returns to settle operational obligations, exposure to interest rate risk is considered minimal and consequently no sensitivity analysis is presented.

Financial instruments

Financial instruments principally consist of those arising directly from the operations of the Group, such as cash, trade and other receivables, and trade and other payables, and non-operational instruments such as forward currency contracts and equity investments.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3. Foreign exchange contracts are measured using quoted forward exchange rates and the yield curves derived from quoted interest rates matching maturities of these contracts.

Categories of financial instruments for items held at amortised cost

	Carrying and fair value	
	30 June 2017 £000	30 June 2016 £000
Financial instruments held at amortised cost		
Trade receivables	**21,954**	19,594
Other receivables	**1,611**	3,573
Cash and cash equivalents and term deposits	**84,752**	70,667
Trade and other payables (excluding contingent consideration and fees)[1]	**(25,601)**	(19,335)
Financial instruments held at fair value		
Derivative financial instruments	**(669)**	(10,487)
Available for sale asset	**985**	797
Contingent consideration and fees	**-**	(12,900)

1 Financial instruments within trade and other payables consist of trade payables, certain accruals and other payables.

The Directors consider there to be no material difference between the carrying value and the fair value of the financial instruments classified as held at amortised cost due to the short maturity of these items. For the items classified as held at fair value, the fair value is recognised on the balance sheet as the carrying amount as required by IAS 39.

Financial instruments held at fair value

Financial instruments that are measured at fair value are classified using a fair value hierarchy that reflects the source of inputs used in deriving the fair value. The three classification levels are:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

The following table presents the Group's assets and liabilities carried at fair value by valuation method.

30 June 2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Assets				
Derivative financial instruments	—	**1,520**	—	**1,520**
Available-for-sale asset	**985**	—	—	**985**
Total assets	**985**	**1,520**	—	**2,505**
Liabilities				
Derivative financial instruments	—	**(2,189)**	—	**(2,189)**
Total liabilities	—	**(2,189)**	—	**(2,189)**

30 June 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Derivative financial instruments	—	11	—	11
Available-for-sale asset	—	—	797	797
Total assets	—	11	797	808
Liabilities				
Derivative financial instruments	—	(10,498)	—	(10,498)
Contingent consideration and fees	—	—	(12,900)	(12,900)
Total liabilities	—	(10,498)	(12,900)	(23,398)

Level 2 derivative financial instruments comprise forward foreign exchange contracts. The fair value is remeasured on a monthly basis with reference to available forward market rates and comparative instrument pricing.

The Level 3 contingent consideration and fees payable was recognised as part of the AxioMx Inc acquisition in November 2015. During the year a negotiation for settlement of certain milestones early for commercial purposes was concluded in November 2016 at £2.4m less than the original liability estimate. Management also re-assessed the probability of the other milestones being achieved, increasing the fair value of the related liability by £1.5m with a net credit to the income statement of £0.9m. The remaining milestones were achieved in August 2016 and April 2017. As a result, no liability remains at the balance sheet date, the Group has satisfied all obligations under this arrangement. The movement in the liability during the year is detailed below:

	Total £000
At 1 July 2016	12,900
Change in fair value assessment	(875)
Settlement of consideration[1]	(16,280)
Unwinding of discount	3,399
Exchange differences	856
At 30 June 2017	—

[1] Consists of £9.8m cash settlement and £6.5m equity settlement

Changes between classifications

During the year the available-for-sale asset, which consists of an equity investment listed on the Taiwan Emerging Stock Board, has been transferred from Level 3 classification to Level 1 following a further year of inclusion on the market. The Directors believe that the additional 12 months of trading has allowed trading prices to stabilise from initial listing and are therefore a more reliable indication of the investment fair value. Consequently the fair value is based on the year end quoted market price.

25. Share-based payments

Equity-settled share option scheme

The Company operates a number of share option schemes for certain employees of the Group. The share-based payments charge relates to option awards from the Enterprise Management Incentive (EMI) scheme, the Unapproved Share Option Plan, the Abcam Inc share scheme, the Abcam 2005 Share Option Scheme, the Abcam Company Share Option Plan (CSOP), the Long Term Incentive Plan (LTIP),the deferred share award, the Share Incentive Plan (SIP) and the NED share award. Option or conditional share grants under each scheme have been aggregated.

The vesting period ranges from one to four years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Group recorded a total equity-settled share-based payments expense of £3,496,000 in the year (2016: £1,962,000), of which £3,075,000 (2016: £1,627,000) was included within administration and management expenses and £421,000 (2016: £301,000) was included within R&D expenses.

Summary of all schemes, excluding SIP, LTIP and deferred share awards

The outstanding options had a weighted average remaining contractual life of 7.49 years (2016: 7.09 years). The weighted average fair value of the options outstanding at the end of the year was 114.29 pence (2016: 90.78 pence). The Group recorded a total share-based payments expense of £304,000 (2016: £152,000) in the year relating to all schemes excluding the SIP, LTIP and deferred share awards.

	2017			2016		
	Number of share options	**Weighted average exercise price pence**	**Weighted average share price at date of exercise pence**	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence
Outstanding at beginning of year	**1,729,807**	**407.3**	**—**	2,145,081	364.6	—
Granted during year	**419,111**	**613.6**	**—**	423,706	598.0	—
Forfeited during year	**(198,673)**	**517.9**	**—**	(396,119)	473.0	—
Exercised during year	**(493,852)**	**289.0**	**882.0**	(442,861)	325.4	605.4
Outstanding at end of year	**1,456,393**	**491.7**	**—**	1,729,807	407.3	—
Exercisable at end of year	**455,562**	**399.4**	**—**	431,614	250.2	—

The vesting dates and expected cash receivable on exercise (subject to performance conditions being met for options yet to vest) relating to the options outstanding are detailed in the table below.

		2017			2016		
Vesting date	Expiry date	**Number of options outstanding**	**Exercise price pence**	**Cash receivable on exercise £000**	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000
8 November 2010	8 November 2017	**—**	**—**	**—**	170,460	62.4	106
6 November 2011	6 November 2018	**19,250**	**92.4**	**18**	21,550	92.4	20
9 November 2012	9 November 2019	**15,475**	**180.8**	**28**	17,300	180.8	31
2 December 2013	2 December 2020	**23,301**	**345.0**	**80**	38,238	345.0	132
1 November 2014	1 November 2021	**54,230**	**370.0**	**201**	95,440	370.0	353
1 November 2014	1 November 2022	**19,099**	**385.0**	**74**	34,244	385.0	132
1 November 2015	1 November 2022	**70,401**	**385.0**	**271**	115,883	385.0	446
1 November 2016	1 November 2022	**20,806**	**464.0**	**97**	53,780	464.0	250
25 November 2015	25 November 2023	**59,135**	**385.0**	**228**	92,110	385.0	355
25 November 2016	25 November 2023	**93,271**	**464.0**	**433**	207,644	464.0	963
25 November 2017	25 November 2023	**59,473**	**464.0**	**276**	66,549	460.0	270
4 November 2016	4 November 2024	**80,594**	**464.0**	**374**	171,674	464.0	797
4 November 2017	4 November 2024	**158,669**	**406.0**	**644**	176,170	406.0	716
4 November 2018	4 November 2024	**77,721**	**406.0**	**316**	85,893	406.0	349
26 October 2017	26 October 2025	**162,894**	**598.0**	**974**	187,160	598.0	1,119
26 October 2018	26 October 2025	**89,895**	**598.0**	**538**	102,042	598.0	611
26 October 2019	26 October 2025	**81,523**	**598.0**	**488**	93,670	598.0	560
4 November 2018	4 November 2026	**169,325**	**851.0**	**1,441**	—	—	—
4 November 2019	4 November 2026	**116,668**	**851.0**	**993**	—	—	—
4 November 2020	4 November 2026	**84,663**	**851.0**	**720**	—	—	—
Total		**1,456,393**		**8,194**	1,729,807		7,210

Option fair values

The Abcam 2005 Share Option Scheme and Abcam CSOP

The fair value of options issued with market-based performance criteria is calculated using a Monte Carlo simulation. The inputs into the Monte Carlo simulation for options issued during the current and prior years were as follows:

The Abcam 2005 Share Option Scheme

Grant date	4 November 2016	4 November 2016	4 November 2016	26 October 2015	26 October 2015	26 October 2015
Share price at grant (pence)	841.0	841.0	841.0	595.5	595.5	595.5
Fair value at valuation date (pence)	147.0	168.0	176.0	110.0	114.0	125.0
Exercise price (pence)	841.0	841.0	841.0	595.5	595.5	595.5
Expected volatility	25%	26%	25%	26%	24%	25%
Expected life (years)	5	6	7	5	6	7
Expected dividend yield	1.06%	1.06%	1.06%	1.38%	1.38%	1.38%
Risk-free rate	0.15%	0.26%	0.40%	0.52%	0.75%	0.98%
Employee exercise multiple	2	2	2	2	2	2
Employee exit rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Abcam CSOP

Grant date	4 November 2016	26 October 2015
Share price at grant (pence)	841.0	595.5
Fair value at valuation date (pence)	169.0	116.0
Exercise price (pence)	841.0	595.5
Expected volatility	26%	24%
Expected life (years)	6	6
Expected dividend yield	1.06%	1.38%
Risk-free rate	0.26%	0.75%
Employee exercise multiple	2	2
Employee exit rate	0.00%	0.00%

The volatility of the options is based on the average of standard deviations of historical daily continuous returns on Abcam plc shares, looking back over the same period as the expected life of the option. The dividend yield is based on Abcam plc's actual dividend yield in the past.

The risk-free rate is the yield on UK government gilts at each date of grant. The employee exercise multiple is based on published statistics for a portfolio of companies. The employee exit rate is based on management's expectations at the valuation date.

Share Incentive Plan
All UK-based employees are eligible to participate in the SIP whereby employees buy shares in the Company. These shares are called Partnership Shares and are held in trust on behalf of the employee. For every Partnership Share bought by the employee up to a limit of £1,800 per tax year the Company will give the employee one share free of charge (Matching Shares), provided the employee remains employed by the Company for a period of at least three years. The employees must take their shares out of the plan on leaving the Company and will not be entitled to the Matching Shares if they leave within three years of buying the Partnership Shares. In addition, the Company can also award employees up to a maximum of the HMRC approval limit, which during the year was £3,600 of shares (Free Shares) per tax year. There are no vesting conditions attached to the Free Shares, other than being continuously employed by the Company for three years from the date of grant.

	Number of Free Shares		Number of Matching Shares	
	2017	2016	**2017**	2016
Outstanding at beginning of year	**571,500**	571,679	**151,601**	156,065
Granted during year	**109,816**	141,374	**26,198**	34,303
Forfeited during year	**(51,436)**	(40,041)	**(10,193)**	(38,767)
Released during year	**(114,487)**	(101,512)	**(33,405)**	—
Outstanding at end of year	**515,393**	571,500	**134,201**	151,601
Exercisable at end of year	**217,424**	239,141	**100,329**	42,488

For the purposes of IFRS 2 the fair value of these Matching Shares and Free Shares is determined as the market value of the shares at the date of grant. No valuation model is required to calculate the fair value of awards under the SIP. The fair value of an equity-based payment under the SIP is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

The Group recognised a total expense of £765,000 (2016: £642,000) in the year relating to Matching and Free Share awards.

Long Term Incentive Plan
The Company approved a new LTIP in 2008. Full details of the performance conditions are outlined in the Remuneration Report. All awards are nil-cost options or conditional shares which vest, subject to achievement of the relevant performance conditions, after three years and can be exercised over the following seven years. Save as permitted in the LTIP rules, awards lapse on an employee leaving the Company.

Details of performance share awards outstanding during the year are as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
Outstanding at beginning of year	**1,050,604**	941,309
Granted during year	**290,082**	384,565
Forfeited during year	**(189,707)**	(193,301)
Exercised during year[1]	**(382,420)**	(81,969)
Outstanding at end of year	**768,559**	1,050,604
Exercisable at end of year	**38,007**	261,106

1 The weighted average sales price for exercises in the year was 942 pence (2016: 580 pence). Of the 382,420 options exercised during the year none were exercised in exchange for cash (2016: 5,008).

The aggregates of the fair values of the awards made in the year were £2,201,000 and £149,000, granted on 4 November 2016, 10 November 2016 respectively (2016: £2,140,000).

Fair values of the awards with a performance condition based on EPS are calculated using the Black Scholes model. The inputs into the models for awards granted in the current year were as follows:

Grant date	4 November 2016	4 November 2016	4 November 2016	4 November 2016	10 November 2016
Share price at grant (pence)	841.0	841.0	841.0	841.0	822.0
Expected volatility	26%	25%	25%	28%	26%
Expected life (years)	3	4	5	6	3
Expected dividend yield	1.06%	1.06%	1.06%	1.06%	1.08%
Risk-free rate	0.26%	0.40%	0.54%	0.68%	0.37%

The Group recognised an expense of £1,737,000 (2016: £696,000) in the year related to performance share awards under the LTIP.

Annual Bonus Plan – deferred share award
The Company approved a new component to the Annual Bonus Plan in 2013 whereby a portion of the annual amount awarded to certain senior management would be deferred in shares. The number of deferred shares granted is dependent on certain performance criteria, consisting of a one-year profit target, and achievement of strategic and personal objectives. There is a further two-year compulsory deferral period, at the end of which the deferred share awards will become exercisable subject to continued employment. All awards are nil-cost options or conditional shares.

Details of performance share awards outstanding during the year are as follows:

	Year ended 30 June 2017	Year ended 30 June 2016
Outstanding at beginning of year	**236,945**	185,855
Granted during year	**61,808**	83,541
Forfeited during year	**(6,209)**	(17,690)
Exercised during year	**(95,791)**	(14,761)
Outstanding at end of year	**196,753**	236,945
Exercisable at end of year	**67,128**	54,039

The aggregate of the fair values of the awards granted on 4 November 2016 was £356,000 (2016: £343,000).

Fair values of the awards are calculated using the Black Scholes model due to the grants having performance conditions based on non-market conditions. The inputs into the model for awards granted in the current and prior years were as follows:

Grant date	4 November 2016	10 October 2015
Share price at grant (pence)	841.0	595.5
Expected volatility	24%	24%
Expected life (years)	3	3
Expected dividend yield	1.37%	1.91%
Risk-free rate	0.98%	1.10%

The Group recognised an expense of £507,000 (2016: £338,000) in the year related to deferred share awards under the Annual Bonus Plan.

Non-Executive Directors – share award
During the year ended 30 June 2016, the Company approved a new component to the Non-Executive Directors' remuneration, whereby a portion of the annual fees agreed would be deferred in shares. The number of deferred shares granted will be settled in the open period following the completion of the one year vesting period. The Group recognised an expense of £183,000 (2016: £135,000) in the year related to these share awards under the Non-Executive Directors share plan.

Cash-settled share option scheme
In addition to the equity-settled schemes the Group operates a cash-settled scheme for certain overseas employees. The total charge for the year was £377,000 (2016: £281,000) and the liability was £534,000 (2016: £195,000), of which £25,000 (2016: £54,000) relates to options that have vested.

26. Retirement benefit schemes

Defined contribution schemes

The UK-based employees of the Group have the option to be members of a defined contribution pension scheme managed by a third party pension provider. For each employee who is a member of the scheme the Company will contribute a fixed percentage of each employee's salary to the scheme. The only obligation of the Group with respect to this scheme is to make the specified contributions.

Employees of the Group's subsidiaries in the US, Japan, China and Hong Kong are members of state-managed retirement benefit schemes operated by the governments of the US, Japan, China and Hong Kong respectively. Depending on location, the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions as required by law.

The total cost charged to the income statement in respect of these schemes during the year ended 30 June 2017 was £2,759,000 (2016: £2,235,000). As at 30 June 2017 contributions of £227,000 (2016: £181,000) due in respect of the current reporting period had not been paid over to the schemes.

27. Business combinations

During the year ended 30 June 2017 a negotiation for early settlement of certain milestones for commercial purposes was concluded in November 2016 at £2.4m less than the original liability estimate. Management also re-assessed the probability of the other milestones being achieved, increasing the fair value of the related liability by £1.5m with a net credit to the income statement of £0.9m. The remaining milestones were achieved in August 2016 and April 2017 and the consideration for these settled during the year. The Group has satisfied all obligations under this arrangement (refer to note 24 for a reconciliation of contingent consideration).

Details of acquisition in the year ended 30 June 2016

On 11 November 2015 the Group completed the acquisition of 100% of the issued share capital of a private Delaware corporation, AxioMx Inc ("AxioMx"). Upfront consideration, including payments for working capital, of $19.3m was exchanged on the acquisition date with a payment of $2.4m made after the acquisition to settle pre-existing liabilities to largely offset the $2.0m cash and cash equivalents acquired. Further consideration payments of up to $23.5 million were payable on successful completion of future development and technology milestones. As a result of the acquisition, Abcam now has access to AxioMx's technology, which potentially provides scalable capabilities to produce highly validated recombinant monoclonal antibodies within weeks (significantly faster than *in vivo* methods).

The goodwill of $18.2m (£11.8m) arising from the acquisition consists largely of the production opportunities derived from the acquired technology and the value of the highly knowledgeable and skilled workforce. The tax benefit recognised within goodwill in relation to the acquired AxioMx losses has been concluded by a section 382 loss analysis.

The following table summarises the consideration transferred and the fair value of the assets and liabilities recognised at the date of acquisition.

Recognised amounts of identifiable assets acquired and liabilities assumed	Fair value £000
Non-current assets	
Intangible assets	16,413
Property, plant and equipment	115
Deferred tax asset	1,173
Other long-term assets	3
Current assets	
Cash and cash equivalents	1,326
Trade and other receivables	167
Current liabilities	
Trade and other payables	(1,924)
Non-current liabilities	
Contingent fees	(594)
Deferred tax liability	(6,306)
Total identifiable assets acquired	10,373
Goodwill	11,837
Total consideration	22,210

Consideration at 11 November 2015	£000
Cash	7,584
Equity	5,047
Contingent consideration – cash	5,747
Contingent consideration – equity	3,832
Total consideration	22,210
Cash consideration	7,584
Cash and cash equivalents acquired	(1,326)
Net cash outflow arising on acquisition	6,258

Acquisition-related expenses totalling £0.5m are included within administrative expenses in the consolidated income statement for the year ended 30 June 2016.

The fair value of the acquired identifiable intangible assets consists of £15.9m attributable to technology and £0.5m attributable to license support agreements. The values have been assessed by an independent third party valuation company. A related deferred tax liability of £6.3m has also been recognised.

The fair value of the equity consideration was determined using the mid-market close price on the date of the acquisition.

The Group recognised a contingent consideration liability of £9.6m in relation to the acquisition, which represents the total calculated present value of expected payments due upon achievement of predetermined development milestones. This value was also assessed as part of the independent third party valuation. The total contingent consideration and fees recognised by the Group at acquisition was £10.2m.

During the period from the date of acquisition to 30 June 2016, AxioMx contributed £0.4m to the Group's revenue from sales to third parties and a loss before tax of £1.7m over the same period.

Had AxioMx been consolidated from 1 July 2015, the consolidated income statement for the year ended 30 June 2016 would show a Group pro-forma revenue of £172.0m and profit before tax of £44.4m.

28. Related party transactions

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories in IAS 24 *Related Party Disclosures*.

The key management team for the prior year comprised the Non-Executive Directors, the Executive Directors and the Senior Leadership Team. In April 2016 the key management team was restructured and the Senior Leadership Team replaced by the Executive Leadership Team. The prior year figures therefore represent pro-rated amounts for the change in structure.

The Non-Executive Directors' fees for the year ended 30 June 2017 represent amounts received in cash and an element receivable in shares.

	30 June 2017 £000	30 June 2016 £000
Short-term employee benefits and fees	**3,627**	4,204
Post-employment benefits	**165**	84
Share-based payments charge	**1,458**	458
	5,250	4,746

Directors' transactions

The Group has a licence and supply agreement for access to knock-out cell lines with Horizon Discovery Group plc, of which Jonathan Milner is a non-executive director. A total of £220,000 (2016: £220,000) has been paid during the year under the terms of the agreement with additional product-related fees of £41,595 (2016: £4,700). The balance outstanding at 30 June 2017 was £6,000 (30 June 2016: £3,000). Total sales of £17,000 (2016: £53,000) have been made during the year to companies of which Jonathan is the chairman or a significant investor. The balance outstanding at 30 June 2017 was £1,000 (30 June 2016: £3,000).

In the year ended 30 June 2016, the Group also made a software subscription purchase from Dynamic Action for £35,000, of which Michael Ross is a director, and a payment of £6,000 to Mara Aspinall for consultancy services in addition to her Non-Executive Directorship fee. Neither of these were outstanding at 30 June 2016.