10 September 2018

ABCAM PLC

Double-digit increase in revenue and earnings enables continued investment to sustain long-term growth

Cambridge, UK: Abcam (AIM: ABC, “Abcam” or “The Group”), a global leader in the supply of life science research tools, today announces its preliminary results for the year ended 30 June 2018.

FINANCIAL SUMMARY

	Reported				Adjusted[2]		
	2017/18 £m	2016/17 £m	*Growth*	*CER[1] growth*	**2017/18 £m**	2016/17 £m	*Growth*
Revenue	**233.2**	217.1	*7.4%*	*10.7%*	**233.2**	217.1	*7.4%*
Gross profit margin, %	***69.9%***	*70.1%*			***69.9%***	*70.1%*	
EBITDA[2]	**81.7**	70.5	*15.9%*		**88.3**	73.3	*20.5%*
Profit Before Tax (PBT)	**69.1**	51.9	*33.1%*		**81.6**	64.6	*26.3%*
Diluted earnings per share (EPS) (pence)	**30.2p**	20.7p	*45.9%*		**32.4p**	25.5p	*27.1%*
Annual dividend per share (pence)	**12.00p**	10.18p	*17.9%*		**12.00p**	10.18p	*17.9%*

FINANCIAL HIGHLIGHTS

- Total revenue increased by 7.4% on a reported basis and 10.7% on a constant exchange rate (CER) basis[1]
  - Catalogue revenue grew 7.1% on a reported basis to £216.8m (2016/17: £202.4m) and 10.2% CER
  - Custom Product and Licensing (CP&L) revenue grew 11.6% on a reported basis to £16.4m (2016/17: £14.7m) and 17.6% CER
- EBITDA margin was 35.0% (2016/17: 32.5%) whilst Adjusted EBITDA margin[2] increased to 37.9% (2016/17: 33.8%), primarily due to the rolling-off of hedging contracts in the prior year
- Reported PBT grew 33.1% to £69.1m and adjusted PBT grew 26.3% to £81.6m
- Reported diluted EPS grew 45.9% to 30.2p and adjusted diluted EPS grew 27.1% to 32.4p
- Strong cash generation continued, with net cash inflow from operating activities of £63.3m (2017/18: £66.4m)
- Proposed final dividend of 8.58p (2016/17: 7.36p), taking the proposed total annual dividend to 12.00 pence per share, an increase of 17.9%

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Strong commercial and strategic execution in the year, with all strategic key performance targets achieved:
  - Recombinant antibody revenue growth of +22.3% CER (target 20-25%)
  - Immunoassay product revenue growth of +25.4% CER (target 20-25%)
  - 12-month rolling transactional Net Promotor Score (tNPS) up 2 percentage points to 64% (target 55-65%)
- Continued to drive quality standards through knockout validation, recombinant antibodies, and other quality initiatives, with a further 400+ products knockout validated in the year
- Acquired the exclusive rights from Roche for a portfolio of Spring Bioscience products for research use only (RUO) applications
- Further increased our addressable market in CP&L (Abcam Inside), with 28 new framework agreements signed with pharmaceutical and diagnostic partners
- Continued to expand our FirePlex® platform, with the addition of over 150 new validated antibody pairs

SUMMARY OUTLOOK AND GUIDANCE

- Long-term market outlook remains positive; good momentum across the business
- Expect total constant currency revenue growth for 2018/19 of ~11%; ambition to maintain revenue growth at low double-digit rates over the medium-term
- Anticipate 2018/19 adjusted EBITDA[2] margin of ~36% as a result of increased investment in strategic initiatives

Commenting on the performance, Alan Hirzel, Abcam's Chief Executive Officer, said:
"It has been a good year for Abcam, delivering double-digit revenue growth on a constant currency basis and meeting all of our strategic targets. Our customer focused strategy is delivering results, whilst our strong cash generation and balance sheet strength underpin the continued investments we are making into our teams, systems and facilities to sustain our double-digit growth rates and help life scientists around the world to discover more, faster."

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1. Constant currency results (CER) are calculated by applying prior period's actual exchange rates to this period's results.
2. These preliminary results include discussion of alternative performance measures which are defined in further detail in note 9. These measures include adjusted financial measures, which are explained in note 1(c) and reconciled to the most directly comparable measure prepared in accordance with IFRS in note 3 to the financial information. Further detail on the Group's financial performance is set out in the financial information and notes thereto.

About Abcam plc

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

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 antibodies and affinity binders, reagents, biomarkers and assays and the Group'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 Group 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 eleven 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 Group sells to more than 100 countries. Abcam was admitted to AIM in 2005 (AIM: ABC).

To discover more, please visit www.abcam.com and www.abcamplc.com

Chief Executive Officer's Review

Sustaining long-term profitable growth

Abcam started 20 years ago with one big idea: to provide research scientists faster access to antibodies that work. Our company was a pioneer applying e-commerce tools to the life sciences. That disruptive innovation made it possible to offer an extensive antibody range, validation data, and rapid customer service to researchers worldwide. The financial success of the company and support of our shareholders since then has enabled us to increase investment in long-term profitable growth.

Performance in 2018

In business terms, 2017/18 was a good year. Abcam again grew profitably. Revenue increased by 7.4% on a reported basis and by 10.7% on a constant currency basis, driven by recombinant antibodies (CER revenue +22.3%), immunoassays (CER revenue +25.4%) and China (CER revenue +26.0%), whilst our Custom Product & Licencing business also returned to growth. At the same time, adjusted Profit Before Tax (PBT) grew over 26%, to £81.6m, with reported PBT of £69.1m (2016/17: £51.9m). The business continues to be strongly cash generative, and we are putting that cash to work in both capital projects, to ensure the future scalability of our business, as well as investing further in the continued development of our products and services.

Doing more for customers, faster

When I joined Abcam in 2013, I was inspired to accomplish two things: ensure Abcam is guided by the needs of our customers and build a business that will deliver long-term sustainable growth while influencing and accelerating life science discovery worldwide. In that first year, we started a transformation in leadership, scope of business, organisation, operations and purpose that, over time, would help to achieve those dual aims.

Five years later, we have made tremendous progress thanks to the loyalty of our customers and the hard work of our global team. We have roughly doubled the scale of Abcam since 2013 in terms of our revenue, profits and impact on science.

Today, Abcam is a global leader in providing antibodies to academic researchers, and research and development teams worldwide. Our customers have provided us with greater clarity about our role: we serve them to help them achieve their missions, faster than they might otherwise. Like a Sherpa for a mountaineer, we dedicate ourselves to the success of scientists, helping them select the right tools and navigate the best path in their ascent to the highest levels of discovery.

Innovating beyond our antibody heritage

Over the years we have learned a lot about what our customers want. In response, we have focused on innovating and expanding our product range, extending our customer influence beyond our original research antibody heritage. A relentless focus on our customers' needs has led us to acquire and integrate five companies and build new technology applications of our own, such as the use of rabbit monoclonal hybridomas, phage display, next generation sequencing and CRISPR-Cas9 technologies to enhance and accelerate antibody selection and validation. This focus on customer led innovation continues. We are well on our way to creating a portfolio of complementary antibody pairs that enable novel, high-throughput screening techniques using our FirePlex® particles. Because of these developments, we have an enviable and expanding portfolio of distinctive and proprietary life science innovation capabilities.

In the past year, there have been several notable examples of Abcam products influencing life sciences and patient outcomes including:

- the use of our ArV7 antibody (Ab198394) for the early diagnosis of metastatic prostate cancer;
- the use of FirePlex® micro-RNA multiplex analysis to enhance identification of signals related to the rapid onset of cardiac arrest (S. Das research at Harvard Medical School, Boston);
- the development of novel RabMAb® recombinant antibodies to support research into the reduction of chemotherapy-related side-effects (F. Shao research at the National Institute of Biological Sciences, Beijing)

As noteworthy as these examples are, it is the recognition of the contributions to the work of the thousands of scientists we serve around the world every day that remain the foundation of our business. This includes:

- over 20% of global publications using antibodies cited Abcam in 2017;
- #1 cited company for over 30% of protein targets studied in research in 2017, up from 22% in 2013;
- customer awards via CiteAb recognising our work in China and Cancer research; and
- customer satisfaction (measured by tNPS) of 64%, up 2 percentage points on 2017

My belief is commercial success follows from appropriate focus on our customers and team. Our performance this year has been encouraging and in line with our ambitious targets, with growth once again well above the underlying market growth rate.

Striving to continuously improve

As we examine our customers and markets, we remain confident that we still have many opportunities and ideas to create future sources of growth and value for all our stakeholders. Ideas are wonderful and easy to generate at Abcam. Implementing them well is tougher and comes with the typical challenges of change. Whilst we are moving quickly to grow and improve our business, we do not always get everything right.

As good as our customer relationships and net promoter scores are, there are still too many occasions when we fall short of their high expectations. One frustrating example is that customers must sometimes wait too long for a product. We have built a new supply chain team, but it is fair to say that we are still not achieving the customer performance levels we aspire to in supply chain and manufacturing. We will be investing more in talent and automation to improve in these areas.

Upgrading our systems in order to efficiently and effectively scale our business is critical for our continued growth. We set out to improve effectiveness and efficiency in four major business areas with Oracle Cloud ERP: customer contact, human resources, finance, and supply chain. To date, we have successfully completed what we wanted to achieve in human resources and customer contact. As we have learned more about the system and its maturity, we have decided to phase the remainder of the programme to reduce the risk to our business and customers. As a consequence, the programme will take longer and cost more than we predicted when we defined our requirements in 2015. We have established a new approach for more frequent and lower risk deployment and in this coming year we will focus on implementing the finance modules. Once completed, we will have substantially concluded three of the four major objectives of the programme.

I know that if we are not breaking things and occasionally falling short of our goals, we are not being bold enough. We must keep pushing and investing to build this company to have a greater role for customers in the markets we serve, and that work will continue for many years to come.

Investing in our future

We remain committed to our goal of building a company that will endure and play a growing role in the advances in science and medicine. Some of this investment is in the basic building blocks that should be in place to enable high growth, such as:

- strengthening our global team's skills and incentives – including broader equity participation;
- automating our production and distribution processes;
- enhancing our IT capabilities; and
- improving and consolidating our facilities including a move into our new headquarters in Cambridge, UK.

Other investments, more closely linked to innovative development concepts for our future, include:

- further enhancing product validation;
- developing new, high-value products using existing and emerging technologies such as gene editing;
- strengthening our market leadership in China;
- expanding our single and multiplex immunoassay portfolio;
- extending and improving the application of machine learning across our business; and
- introducing more personalised and dynamic content to our e-commerce.

As we continue to invest in our long-term success, we expect to sustain top line growth ahead of market growth. My commitment is to ensure our team is rigorously prioritising the areas that offer the greatest return to all our stakeholders.

Our strategic priorities

In 2017/18 we refined our five multi-year strategic priorities to reflect the ongoing development of our markets and our business. They are:

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

We have made further progress in each of these areas in the last year and, as we do so, we are identifying more growth opportunities. You can read more about our achievements against these priorities in the Strategic Priorities section.

Our performance against our strategic key performance indicators (KPIs), as listed below, reflects achievement within the range of our full year targets:

Strategic KPIs	2017/18 target	Actual
Recombinant antibody product revenue growth[1]	20-25%	22.3%
Immunoassay revenue growth[1]	20-25%	25.4%
Customer engagement: transactional NPS	55-65%	64%

1 Constant exchange rate

Looking forward

There is good momentum across the business and we believe the Group is in a strong position for a successful future. The organic and inorganic investments we have made and will continue to make are enabling Abcam to sustain its growth and achieve the stretching targets we have set for ourselves. I am confident that these investments will generate long-term value for our shareholders whilst helping us serve life scientists around the world to achieve their missions faster.

Alan Hirzel
Chief Executive Officer

Strategic Priorities

Our strategy is designed to generate profitable growth and improve our long-term financial performance. Key developments in the year and our priorities for the next 12 months are set out in the table below:

	Progress in 2017/18	**Priorities for 2018/19**
1. Sustain antibody and digital marketing leadership	- Delivered primary antibody revenue growth ahead of the global market growth rate - Further enhanced our target selection process to increase the success of new products - Implemented process improvements to shorten lead times, improving the success rates of product launches - Continued to work with suppliers to add validation data as well as delivering improvements in our own range through enhanced antibody validation and production techniques - Continued to grow and enhance our digital footprint, driving better engagement and conversion	- Continue to develop new products focused on high value areas, based on customers' research needs - Further enhance our product validation and continue to raise product quality standards across the catalogue - Implement the next phase of our growth strategy for China
2. Expand in related growth markets	- Published over 200 new SimpleStep ELISA® immunoassays products on the catalogue - Further developed FirePlex® multiplex platform, validating over 150 pairs of antibodies and launching a high throughput product (Fireplex®-HT) to simplify and speed up workflows - Further expanded electronic catalogue connections to large-volume customers - Continued to expand addressable market in Custom Products and Licensing, with 28 new framework agreements signed and over 150 projects initiated for pharmaceutical and diagnostic development partners	- Continue to grow our immunoassay business in line with multi-year aspiration - Continue to expand the number of Abcam Inside projects and framework agreements - Launch teams to develop 1-2 new strategic initiatives
3. Invest in operating capabilities for 2x 2016 scale by 2023	- Continued to progress development of our new enterprise resource planning (ERP) system, although at a slower pace than planned - Delivered distribution improvement projects in the UK, US and China - Continued construction of our new UK headquarters on the Cambridge Biomedical Campus – on track to move in during 2018/19 - Continued investment to support employee engagement and development across our global organisation	- Successfully deploy next phases of Oracle Cloud ERP - Roll-out equity participation scheme to global employees - Successfully move UK team to the new headquarters on the Cambridge Biomedical Campus - Continue to fill or enhance our capabilities across supply chain and manufacturing, IT and new growth projects
4. Sustain attractive economics	- Identified and delivered operating efficiencies and productivity gains, including the successful closure and outsourcing of our Bristol, UK manufacturing operations - Delivered further procurement efficiency benefits through the creation of our global procurement function - Made preparations to move to direct distribution in more markets	- Continue to realise productivity gains - Move to direct distribution in more markets
5. Supplement organic growth - partnerships and acquisition	- Signed exclusive licence agreement with Roche covering a portfolio of approximately 760 products, including 243 RabMAbs® - Entered into a number of collaborations with industry partners	- Continue to strengthen relationships for future deals

Financial Review

This financial review includes discussion of alternative performance measures which are defined further in the Notes to the Preliminary Financial Information. These measures include alternative performance measures, which are explained in note 9 and reconciled to the most directly comparable measure prepared in accordance with IFRS in note 3. Further detail on the Group's financial performance is set out in the Preliminary Financial Information and notes thereto.

Constant exchange rates ("CER") growth is calculated by applying the applicable prior period average exchange rate to the Group's actual performance in the respective period.

Overview of 2018 Financial Performance

	Reported Results			Adjusted Results		
	Year ended 30 June			Year ended 30 June		
	2018 £m	2017 £m	Growth	2018 £m	2017 £m	Growth
Revenue	**233.2**	217.1	*7.4%*	**233.2**	217.1	*7.4%*
Gross profit	**163.0**	152.1	*7.2%*	**163.0**	152.1	*7.2%*
Gross profit margin (%)	*69.9%*	*70.1%*		*69.9%*	*70.1%*	
EBITDA	**81.7**	70.5	*15.9%*	**88.3**	73.3	*20.5%*
EBITDA margin (%)	*35.0%*	*32.5%*		*37.9%*	*33.8%*	
Depreciation and Amortisation	**(12.9)**	(15.4)	*(16.2%)*	**(7.0)**	(8.9)	*(21.3%)*
Operating profit	**68.8**	55.1	*24.9%*	**81.3**	64.4	*26.2%*
Operating profit margin (%)	*29.5%*	*25.4%*		*34.9%*	*29.7%*	
Net finance income / (expense)	**0.3**	(3.2)	*n/a*	**0.3**	0.2	*50.0%*
Profit before Tax	**69.1**	51.9	*33.1%*	**81.6**	64.6	*26.3%*
Taxation	**(6.9)**	(9.5)		**(14.9)**	(12.6)	
Profit after Tax	**62.2**	42.4	*46.7%*	**66.7**	52.0	*28.3%*
Earnings per share						
Basic earnings per share	**30.5p**	20.9p	*45.9%*	**32.7p**	25.7p	*27.2%*
Diluted earnings per share	**30.2p**	20.7p	*45.9%*	**32.4p**	25.5p	*27.1%*
Annual Dividend per share	**12.00p**	10.18p	17.9%	**12.00p**	10.18p	17.9%
Net cash at end of period	**90.2**	84.8	6.4%	**90.2**	84.8	6.4%
Return on Capital Employed	**18.8%**	16.7%		**22.2%**	19.6%	

Abcam has delivered another year of solid financial performance and this is reflected in the growth in adjusted earnings per share (adjusted EPS) of over 27%. On a reported basis EPS grew over 45%. Total CER revenue growth was up 10.7% and, as expected, our Custom Products & Licensing (CP&L) revenues returned to growth, rising 17.6% (CER). We believe we have once again delivered growth above underlying market rates in every region and whilst Japan experienced a more challenging market backdrop in the second half, China has continued to deliver at the high end of our expectations. We have maintained gross margin and we have continued to invest in the future of our business.

We are investing to ensure that we have the people, infrastructure, processes and IT systems to establish the platform that will allow the Group to grow to twice its 2016 scale by 2023. This year we have invested significantly in our Oracle Cloud ERP system making steady progress in the design, build, test and change management associated with the project. We have decided to adopt a phased approach to the implementation of the remaining modules to reduce the risk to our business and customers. During calendar 2019 we expect the most significant roll out will be the implementation of Oracle Fusion Finance modules in the majority of our global locations. The construction and preparations for our new headquarters in Cambridge, UK are progressing well, and we are looking forward to moving in early calendar 2019.

We continue to invest in our people, not only by ensuring we have the right teams, skills and capabilities globally, but also in their development, training and remuneration. In this regard, we are delighted to be launching a new global share scheme, available to all of our employees in the coming year. Looking forward, we are confident that our strong financial position and cash generation provide the resources to invest in our long-term strategy to build the infrastructure required for a much larger company, sustain our growth and serve the needs of our customers.

Revenue

	Reported revenue		Increase / (Decrease) in reported revenue	CER growth
	2017/18 £'m	2016/17 £'m		
Catalogue regional split:				
The Americas	**88.5**	86.5	2.3%	8.0%
EMEA	**62.6**	57.1	9.6%	7.7%
China	**33.0**	26.4	25.0%	26.0%
Japan	**16.2**	17.3	(6.4%)	1.1%
Rest of Asia Pacific	**16.5**	15.1	9.3%	14.3%
Catalogue revenue	**216.8**	202.4	7.1%	10.2%
Custom Products & Licensing (CP&L) revenue[1]	**16.4**	14.7	11.6%	17.6%
Total reported revenue	**233.2**	217.1	7.4%	10.7%
Catalogue product split:				
Primary and secondary antibodies	**174.5**	165.5	5.4%	8.4%
of which Recombinant antibodies	48.0	40.4	18.8%	22.3%
Other products[2]	**42.3**	36.9	14.6%	18.2%
of which Immunoassay products	15.0	12.4	21.0%	25.4%
Catalogue revenue sub-total	**216.8**	202.4	7.1%	10.2%

1 Includes royalty income, custom services, IHC/IVD and licensing revenue
2 Includes kits, assays, proteins, peptides, lysates and biochemical (AAAI) products

Total reported revenues for the year increased by 7.4% to £233.2m. Sterling was stronger against the basket of foreign currencies in which the Group trades which adversely impacted our reported revenues. Adjusting for this strengthening in Sterling, CER revenue growth was 10.7% (2016/17: 9.9%).

Catalogue revenue grew by £14.4m or 7.1% on a reported basis and 10.2% on a constant currency (CER) basis. Within this, the key product growth drivers were recombinant antibodies, with sales up by £7.6m or 18.8% to £48.0m (22.3% at CER), and immunoassay sales, which grew by £2.6m or 21.0% (25.4% at CER) to £15.0m. By region, China continues to be our fastest growing major market, up 25.0% (26.0% CER) and contributing 15.2% of Catalogue revenue, whilst Japan fell by 6.4% on a reported basis (up 1.1% CER), reflecting the more challenging market conditions.

CP&L revenue, comprising custom services, in vitro-diagnostic (IVD)/immunohistochemistry (IHC) and royalties and licence income, continues to remain an area of increased focus and investment for the Group. In line with our expectations, this area returned to growth in the year, rising by £1.7m or 11.6% (17.6% CER) to £16.4m (2016/17: £14.7m)

Gross margin

Reported gross margin was down very slightly to 69.9% (2016/17: 70.1%), with modest positive impacts from exchange rate movements and catalogue product mix offset by catalogue regional mix and the increase in CP&L revenue. We continue to anticipate gradual improvements to gross margin over time, driven by continued product mix and productivity improvements to our manufacturing sites as we introduce more automation.

Operating costs and expenses

	Reported			**Adjusted[1]**		
	2018 £m	2017 £m	% Change	**2018 £m**	2017 £m	% Change
Selling, general & administrative expenses	**78.2**	78.4	(0.3%)	**69.8**	73.5	(5.0%)
Research and development expenses	**16.0**	18.6	(14.0%)	**11.9**	14.2	(16.2%)
Total operating costs and expenses	**94.2**	97.0	(2.9%)	**81.7**	87.7	(6.8%)
Depreciation and Amortisation	**(12.9)**	(15.4)	(16.2%)	**(7.0)**	(8.9)	(21.3%)
Total operating costs and expenses excluding Depreciation and Amortisation	**81.3**	81.6	(0.4%)	**74.7**	78.8	(5.2%)
Share-based compensation	**3.4**	3.9	(12.8%)	**3.4**	3.9	(12.8%)

1 Details of items excluded from reported costs and expenses are provided in Adjusting Items below and in note 3 of the financial information

Selling, general & administrative expenses
We have continued to invest in Abcam's capabilities, people, processes and IT systems to support and drive our medium and long-term growth aspirations. Excluding foreign exchange related impacts, selling, general and administrative expenses rose by 14.1% on an adjusted basis. On a reported basis, after the impact of the year-on-year movement in exchange rates, expenses decreased by £0.2m or 0.3%.

Included in the year-on-year movement in reported expenses are the following key items:

- £3.8m increase in spend relating to the further strengthening of our commercial, marketing and support teams, with key people being recruited into our Portfolio and Business Development team, an area of strategic importance for the business;
- £2.1m cost increase in global operations and logistics, related to the increase in revenue volumes and organisational redesign, including further roles to build in-house expertise in global operational processes and increased premises space to accommodate expansion of operations;
- £2.3m increase in operational costs associated with the work performed on the Oracle Cloud ERP project, to £6.1m (2016/17: £3.8m); and
- £12.8m year-on-year foreign exchange related reduction owing to the relative strength of Sterling. This comprises £1.6m of costs denominated in the currency of the Group's overseas entities (which, when translated into stronger Sterling results in lower charges to expenses), £10.6m of year-on-year net currency benefit from forward selling currency contracts and £0.6m of translational currency impacts.

The charge for share-based payments fell £0.5m in the year, to £3.4m (2016/17: £3.9m). This figure is expected to increase in 2019 following the implementation of a new global all employee share scheme.

Within reported expenses, depreciation and amortisation expenses decreased by £2.0m in the year to £6.3m, including £1.8m related to the amortisation of acquisition intangibles (2016/17: £1.5m). The Group's amortisation and depreciation expense is expected to increase in 2018/19 and step up again in 2019/20 as charges associated with the implementation of the next phase of ERP modules and the completion of the new Group headquarters come into effect. The depreciation charge will also be impacted in 2019/20 by the introduction of the new accounting standard on leases.

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

Reported R&D expenses decreased by £2.6m or 14.0%, to £16.0m (2017: £18.6m). Whilst total reported R&D expenditure decreased, this included an increase of £2.4m for UK R&D tax credits, to £3.1m (2016/17: £0.7m), a year-on-year benefit relating to the change in amortisation period relating to capitalised product development, amounting to £0.7m, as well as the effect of exchange rate movements that contributed £0.7m of the decrease. Following these adjustments, the increase in R&D costs was £1.2m or 6.5%, to £19.8m.

R&D-related depreciation and amortisation charges were £0.5m lower in the year, at £6.6m, including £4.1m related to the amortisation of acquisition intangibles (2017: £4.4m) which are excluded from adjusted costs.

Investment in systems, processes and infrastructure
We continue to invest to maintain our double-digit growth trajectory and provide the operating capabilities required to scale the business. This was underpinned by investment in our people, IT systems, infrastructure, capabilities and business processes during the year to provide us with operational scalability.

Enterprise Resource Planning (ERP) programme
We had targeted a full implementation of the ERP system in 2017/18. We are now planning a phased approach to the remaining modules, which are expected to be implemented over the medium-term as part of a broader investment in our IT infrastructure.

We incurred capital expenditure of £17.5m (2016/17: £10.6m) and operating costs of £6.1m during the year (2016/17: £4.4m), as well as depreciation of £0.8m on the modules already deployed. Total capitalised expenditure relating to the Oracle Cloud ERP programme to date amounts to £33.6m.

In 2018/19 we plan to implement the finance and certain other modules at an estimated cost of approximately £16m (including capital expenditure of approximately £12m). Beyond 2018/19 we anticipate that we will continue to invest in our IT systems and broader business processes through implementing further new Oracle modules as well as investing further in those we have already implemented.

New global headquarters, Cambridge, UK

We will relocate from our three existing sites in Cambridge to a single, purpose-built headquarters on the Cambridge Biomedical Campus in early 2019. We anticipate Abcam's total expenditure on the building to be approximately £16m. In addition, we expect to spend approximately £9m on laboratory and office design and office fit-out costs. In 2017/18 we incurred capitalised costs of £13.5m in respect of this project, bringing the total cost to date to £15.2m.

Earnings and tax

The increase in gross profit delivered in the year, together with a net reduction in operating costs, due primarily to foreign exchange related impacts discussed previously, resulted in an £11.2m increase in reported earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) to £81.7m (2016/17: £70.5m), an increase of 15.9%. Adjusted EBITDA rose 20.5% to £88.3m (2016/17: £73.3m), giving an adjusted EBITDA margin of 37.9% (2016/17: 33.8%).

After depreciation and amortisation charges of £12.9m (2016/17: £15.4m), reported operating profit rose 24.9% to £68.8m. Adjusted operating profit rose 26.2% to £81.3m, representing an adjusted operating margin of 34.9% (2016/17: 29.7%).

Profit Before Tax (PBT) on a reported basis was £69.1m (2016/17: £51.9m). This was after net finance income of £0.3m (2016/17: net finance expense of £3.2m). Adjusted PBT rose 26.3% to £81.6m (2016/17: £64.6m).

Due to the impacts relating to the introduction of the US Tax Cuts and Jobs Act, the Group's reported effective tax rate was 10.0% (2016/17: 18.3%). The effective rate on adjusted profits was 18.3% and excludes the impact of the above (2016/17: 19.5%). Further details are provided in note 3 to the financial information. Notwithstanding further tax changes in the jurisdictions in which we operate, the effective rate is expected to be broadly maintained at around 19% to 20% in the medium-term.

Basic earnings per share (EPS) was 30.5p (2016/17: 20.9p), with adjusted basic EPS of 32.7p (2016/17: 25.7p). Diluted Earnings Per Share (EPS) was 30.2p (2016/17: 20.7p). Adjusted diluted EPS increased by 27.1% to 32.4p (2016/17: 25.5p).

Adjusting Items

	2018 £m	2017 £m
System and process improvement costs	**(6.1)**	(3.8)
Costs associated with the new Group headquarters	**(0.3)**	—
Acquisition-related costs	**(0.2)**	—
Amortisation of acquisition-related intangible assets	**(5.9)**	(5.9)
Contingent consideration fair value adjustment	**—**	1.0
Impairment related to system and process improvements	**—**	(0.6)
Total adjusting items affecting operating profit	**(12.5)**	(9.3)
Finance costs: Unwinding of discount factor on contingent consideration and fees	**—**	(3.4)
Total adjusting items affecting profit before tax	**(12.5)**	(12.7)

System and process improvement costs related to our Oracle Cloud ERP project increased by £1.7m in the year to £6.1m. The Group also incurred £0.3m in costs relating to the move to the new headquarters in Cambridge, UK and acquisition-related costs of £0.2m relating to the exclusive license agreement with Roche relating to the Spring portfolio.

Foreign exchange

The results of the Group are impacted by movements in foreign exchange rates, particularly movements in Sterling against the US Dollar, Euro and Chinese Renminbi. In 2018, the impact of foreign exchange movements in the year was £7.1m unfavourable in revenue and £1.1m in adjusted EBITDA, after the impact of hedging.

Cash flow and net cash

	2018 £m	2017 £m
Operating cash flows before working capital	**81.0**	71.7
Change in working capital	**(8.1)**	4.8
Cash generated from operations	**72.9**	76.5
Income taxes paid	**(9.6)**	(10.1)
Net cash inflow from operating activities	**63.3**	66.4
Cash outflow of investing activities	**(37.7)**	(32.9)
Cash outflow from financing activities	**(20.6)**	(17.8)
Increase in cash and cash equivalents	**5.0**	15.7
Cash and cash equivalents at beginning of year	**84.8**	68.9
Effect of foreign exchange rates	**0.4**	0.2
Cash and cash equivalents at end of the year	**90.2**	84.8
Free Cash Flow[(1)]	**26.8**	41.3

(1) Free Cash Flow comprises net cash generated from operating activities less net capital expenditure and cash flows relating to committed capital expenditure

The Group continues to be strongly cash generative, with cash inflow from operations of £63.3m (2016/17: £66.4m) and free cash flow of £26.8m (2016/17: £41.3m), after a year-on-year increase in working capital of £12.9m. The change in working capital is explained by an increase in stock of top-selling products to improve availability, amounting to approximately £5m, as well as certain other one-off working capital inflows in the prior year.

Cash outflow on investing activities of £37.7m (2017: £32.9m) includes £1.5m in relation to the acquisition of the exclusive license agreement from Roche (with a further commitment of £11.8m payable in 2018/19) and capital expenditure of £36.5m. Major capital expenditure items included £18.3m and £11.6m on the Oracle Cloud ERP and new Group headquarters, respectively, as well as £4.3m on Internally developed technology.

After net cash outflows from financing activities of £20.6m, predominantly relating to dividend payments, together with a small foreign exchange impact, the Group ended the year with closing cash of £90.2m (2016/17: £84.8m), a net increase of £5.4m.

Balance sheet

Goodwill and Intangibles

Goodwill was £114.2m (2017: £115.5m) with the decrease relating mainly to exchange rate movements.

Intangible assets were £106.3m (2017: £73.6m). The increase primarily reflects additions arising from the Spring licence acquisition from Roche (£10.9m) together with £17.5m in respect of investments made in our new ERP system and £10.8m relating to the reclassification of 'Internally developed technology' from property, plant and equipment to intangible assets.

Property, plant and equipment

Property, plant and equipment additions of £18.3m (2016/17: £10.2m) have been made in the year, comprising £13.5m (2016/17: £1.1m) associated with the construction of our new Group headquarters and £4.8m of other investments (2016/17: £9.1m). These other investments include £2.4m spent on laboratory equipment across our sites in the UK, the US and China, as well as £2.0m on continued development of the Group's product range.

Trade and other payables

Trade and other payables were £45.8m (2017: £29.3m) with the increase being mainly due to £11.8m of outstanding consideration in respect of the Spring acquisition and increased capital accruals in respect of the new global headquarters.

Dividends
The Board declared an interim dividend of 3.42 pence per share which was paid to shareholders on 12 April 2018. The Board has proposed a final dividend of 8.58 pence per share, taking the total dividend for the year to 12.00 pence per share, a 17.9% increase on the previous year and equating to approximately £24.6m. The final dividend is subject to shareholder approval at the forthcoming AGM.

The ability of the Group to make dividend payments is determined by the availability of distributable retained earnings and liquid cash resources as well as the need for both of these to be held at the Company level. At 30 June 2018, the Company held retained earnings of £250.5m, the majority of which is distributable. The Group has cash resources of £90.2m at 30 June 2018, of which £67.2m was held by the Company.

Outlook and guidance
The fundamentals of our business remain strong. The revenue growth this year and in previous years remains a measure of the continued success of our strategy and provides a solid foundation from which to invest in the business.

Overall, the outlook for our markets remains positive and we expect our total constant currency revenue growth for 2018/19 to be approximately 11%. Beyond this, we anticipate that the investments we are making, together with our financial strength, will lay the foundation for growth in 2019/20 and beyond, supporting our ambition to maintain revenue growth at low double-digit rates over the medium-term.

In the coming year, alongside our ongoing investment in our capital projects and scalability, we plan to increase investment in a number of strategically important areas including R&D, China, Abcam Inside and data analytics. We are also launching a new share ownership scheme open to all employees globally, to recognise their invaluable contribution and to help maintain our entrepreneurial spirit as we continue to expand. We will look to partly fund these investments through the continued realisation of efficiencies and savings in our core business and currently anticipate adjusted EBITDA margin in 2018/19 will be approximately 36%.

Over time, these investments will increase our capabilities, add new products and services for our customers and improve our operational efficiencies, helping us to achieve our ambition to double our 2016 scale by 2023 and fulfil our mission to help life science researchers discover more, faster.

Gavin Wood
Chief Financial Officer

Consolidated income statement
For the year ended 30 June 2018

	Note	**Year ended 30 June 2018**			Year ended 30 June 2017		
	Note	**Adjusted* £m**	**Adjusting items* £m**	**Total £m**	Adjusted* £m	Adjusting items* £m	Total £m
Revenue	2	**233.2**	**—**	**233.2**	217.1	—	217.1
Cost of sales		**(70.2)**	**—**	**(70.2)**	(65.0)	—	(65.0)
Gross profit		**163.0**	**—**	**163.0**	152.1	—	152.1
Selling, general and administrative expenses		**(69.8)**	**(8.4)**	**(78.2)**	(73.5)	(4.9)	(78.4)
Research and development expenses		**(11.9)**	**(4.1)**	**(16.0)**	(14.2)	(4.4)	(18.6)
Operating profit		**81.3**	**(12.5)**	**68.8**	64.4	(9.3)	55.1
Finance income		**0.3**	**—**	**0.3**	0.2	—	0.2
Finance costs		**—**	**—**	**—**	—	(3.4)	(3.4)
Profit before tax		**81.6**	**(12.5)**	**69.1**	64.6	(12.7)	51.9
Taxation	4	**(14.9)**	**8.0**	**(6.9)**	(12.6)	3.1	(9.5)
Profit for the year attributable to the owners of the parent		**66.7**	**(4.5)**	**62.2**	52.0	(9.6)	42.4
Earnings per share							
Basic earnings per share (pence)		**32.7**		**30.5**	25.7		20.9
Diluted earnings per share (pence)		**32.4**		**30.2**	25.5		20.7

* Adjusted figures exclude systems and process improvement costs, costs associated with the new Group headquarters, amortisation of acquired intangibles, acquisition costs, the tax effect of adjusting items, significant tax adjustments in respect of new US tax legislation and where applicable, contingent consideration fair value adjustments together with the related unwinding of the discount on these. Such excluded items are described as “adjusting items”. Further information on these items is shown in note 3.

Consolidated statement of comprehensive income
For the year ended 30 June 2018

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit for the year	**62.2**	42.4
Items that may be reclassified to profit or loss in subsequent years		
Movement on cashflow hedges	**0.2**	8.5
Movement on net investment hedge	—	(0.9)
Exchange differences on translation of foreign operations	**(1.8)**	5.2
Movement in fair value of investment	**(0.1)**	0.2
Tax relating to components of other comprehensive income	—	(1.6)
Other comprehensive (loss) / income for the year	**(1.7)**	11.4
Total comprehensive income for the year	**60.5**	53.8

Consolidated balance sheet

As at 30 June 2018

	30 June 2018 £m	30 June 2017 £m
Non-current assets		
Goodwill	**114.2**	115.5
Intangible assets	**106.3**	73.6
Property, plant and equipment	**25.1**	22.3
Investment	**0.9**	—
Deferred tax asset	**8.4**	6.6
Derivative financial instruments	—	0.2
	254.9	218.2
Current assets		
Inventories	**29.6**	21.8
Trade and other receivables	**39.3**	34.6
Investment	—	1.0
Derivative financial instruments	**0.8**	1.3
Cash and cash equivalents	**90.2**	84.8
	159.9	143.5
Total assets	**414.8**	361.7
Current liabilities		
Trade and other payables	**(45.8)**	(29.3)
Derivative financial instruments	**(0.5)**	(2.1)
Current tax liabilities	**(2.7)**	(1.2)
	(49.0)	(32.6)
Net current assets	**110.9**	110.9
Non-current liabilities		
Deferred tax liability	**(14.0)**	(21.9)
Derivative financial instruments	**(0.1)**	(0.1)
	(14.1)	(22.0)
Total liabilities	**(63.1)**	(54.6)
Net assets	**351.7**	307.1
Equity		
Share capital	**0.4**	0.4
Share premium	**25.6**	23.9
Merger reserve	**68.1**	68.1
Own shares	**(3.2)**	(3.6)
Translation reserve	**26.3**	28.1
Hedging reserve	**0.1**	(0.1)
Retained earnings	**234.4**	190.3
Total equity attributable to the owners of the parent	**351.7**	307.1

Consolidated statement of changes in equity
For the year ended 30 June 2018

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 July 2016	**0.4**	**21.5**	**61.6**	**(3.2)**	**23.9**	**(7.1)**	**164.1**	**261.2**
Profit for the year	-	-	-	-	-	-	42.4	42.4
Other comprehensive income	-	-	-	-	4.2	7.0	0.2	11.4
Total comprehensive income	**-**	**-**	**-**	**-**	**4.2**	**7.0**	**42.6**	**53.8**
Issue of ordinary shares	-	2.4	6.5	(0.4)	-	-	(0.5)	8.0
Share-based payments inclusive of deferred tax	-	-	-	-	-	-	3.3	3.3
Purchase of own shares	-	-	-	-	-	-	(0.1)	(0.1)
Equity dividends	-	-	-	-	-	-	(19.1)	(19.1)
Balance as at 30 June 2017	**0.4**	**23.9**	**68.1**	**(3.6)**	**28.1**	**(0.1)**	**190.3**	**307.1**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**62.2**	**62.2**
Other comprehensive income	**-**	**-**	**-**	**-**	**(1.8)**	**0.2**	**(0.1)**	**(1.7)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(1.8)**	**0.2**	**62.1**	**60.5**
Issue of ordinary shares	**-**	**1.7**	**-**	**0.4**	**-**	**-**	**(0.5)**	**1.6**
Share-based payments inclusive of deferred tax	**-**	**-**	**-**	**-**	**-**	**-**	**4.7**	**4.7**
Purchase of own shares	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(22.1)**	**(22.1)**
Balance as at 30 June 2018	**0.4**	**25.6**	**68.1**	**(3.2)**	**26.3**	**0.1**	**234.4**	**351.7**

Consolidated cash flow statement

For the year ended 30 June 2018

		Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating profit for the year		**68.8**	55.1
Adjustments for:			
Depreciation of property, plant and equipment		**4.5**	5.6
Amortisation of intangible assets		**8.4**	9.8
Derivative financial instruments at fair value through profit or loss		**(0.7)**	(1.2)
Loss on disposal of property, plant and equipment		**0.2**	0.0
Research and development expenditure credit		**(3.1)**	(0.7)
Share-based payments charge		**3.4**	3.9
Contingent consideration change in fair value		**—**	(0.9)
Unrealised currency translation (gains) / losses		**(0.5)**	0.1
Operating cash flows before movements in working capital		**81.0**	71.7
Increase in inventories		**(5.8)**	(2.1)
Increase in receivables		**(5.7)**	(0.8)
Increase in payables		**3.4**	7.7
Cash generated from operations		**72.9**	76.5
Net income taxes paid		**(9.6)**	(10.1)
Net cash inflow from operating activities	*	**63.3**	66.4
Investing activities			
Investment income		**0.3**	0.2
Purchase of property, plant and equipment	*	**(16.4)**	(10.1)
Purchase of intangible assets	*	**(21.0)**	(8.9)
Transfer of cash from/(to) escrow in respect of future capital expenditure	*	**0.9**	(6.1)
Net cash outflow arising from acquisitions		**(1.5)**	(9.8)
Sale of term deposits		**—**	1.8
Net cash outflow from investing activities		**(37.7)**	(32.9)
Financing activities			
Dividends paid		**(22.1)**	(19.1)
Proceeds on issue of shares		**1.6**	1.4
Purchase of own shares		**(0.1)**	(0.1)
Net cash outflow from financing activities		**(20.6)**	(17.8)
Increase in cash and cash equivalents		**5.0**	15.7
Cash and cash equivalents at beginning of year		**84.8**	68.9
Effect of foreign exchange rates		**0.4**	0.2
Cash and cash equivalents at end of year		**90.2**	84.8
Free Cash Flow	(i)	**26.8**	41.3

(i) Free Cash Flow comprises those items marked * and comprises net cash generated from operating activities less net capital expenditure and transfer of cash from/(to) escrow in respect of future capital expenditure.

Notes to the Preliminary Financial Information

For the year ended 30 June 2018

1. Presentation of the financial statements

a) Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and extracts from the notes to the financial statements for the year ended 30 June 2018 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements incorporate the results of the Company and its subsidiary undertakings.

The preliminary financial information has been presented in Sterling and on the historical cost basis, except for the revaluation of certain financial instruments.

The financial information does not constitute statutory accounts within the meaning of Sections 434 to 436 of the Companies Act 2006, but are derived from those accounts. Statutory accounts for the financial year ended 30 June 2017 have been filed with the Registrar of Companies and those for the financial year ended 30 June 2018 were approved by the Board of directors on 7 September 2018 and will be delivered in due course. The auditor has reported on those accounts, their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

b) Accounting policies

The accounting policies, estimates and judgements adopted adopted in the preparation of the preliminary financial information are consistent with those as set out in the Group's financial statements for the year ended 30 June 2017, with exception of the following:

Internally developed technology

As scientific technology has continued to evolve, a review was undertaken during the year of the wider nature of the asset category previously described as 'Hybridomas and Assays' and in the first instance the category has been renamed 'Internally developed technology' to better reflect the broader nature of the assets.

Secondly, it has been concluded that because, in most cases now, although a physical asset may still exist, because a genetic sequencing has since been performed, the value now lies within this sequencing and this is intangible in nature. Accordingly, these assets have now been reclassified to intangible assets.

Furthermore, the maximum useful economic life has been reassessed and extended from 8 years to 16 years.

c) Adjusted performance measures

Adjusted performance measures are used by Directors in their review of the business and exclude certain cash and non-cash items which they believe are not reflective of the normal course of business of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for fuller understanding of performance from year to year. Adjusted performance measures may not be directly comparable with other similarly titled measures used by other companies. These measures are defined in further detail together with an explanation of the reasons for their use in note 10. A detailed reconciliation between reported and adjusted measures is presented in note 3 which also lists out the adjusting items individually.

d) Going concern

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

Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and at least one year from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing its consolidated financial statements.

2. Operating segments

Products and services from which reportable segments derive their revenues

The Directors consider that there is only one core business activity and there are no separately identifiable business segments which are engaged in providing individual products or services or a group of related products and services which are subject to separate risks and returns. 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, 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

Revenues are attributed to countries based on customers' location. The Group's revenue from external customers and information about its non-current segment assets (excluding deferred tax and derivative financial instruments) is set out below:

	Revenue		Non-current assets	
	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m	**As at 30 June 2018 £m**	As at 30 June 2017 £m
US	**97.4**	91.8	**165.2**	172.2
China	**33.1**	26.7	**3.2**	3.7
Japan	**16.4**	18.1	**0.1**	0.1
UK	**13.6**	12.7	**77.9**	35.3
Germany	**13.4**	12.4	**—**	—
Other countries	**59.3**	55.4	**0.1**	0.1
	233.2	217.1	**246.5**	211.4

Revenue by type is shown below:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Catalogue revenue	**216.8**	202.4
Custom products and licensing revenue*	**16.4**	14.7
	233.2	217.1

*Includes custom services, IVD/IHC, royalties and license income.

3. Adjusted Performance Measures

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

	Year ended 30t June 2018			Year ended 30 June 2017		
	Adjusted £m	**Adjusting items £m**	**Total £m**	Adjusted £m	Adjusting items £m	Total £m
EBITDA*	**88.3**	**(6.6)**	**81.7**	73.3	(2.8)	70.5
Depreciation and amortisation	**(7.0)**	**(5.9)**	**(12.9)**	(8.9)	(6.5)	(15.4)
Operating profit	**81.3**	**(12.5)**	**68.8**	64.4	(9.3)	55.1
Finance income	**0.3**	**—**	**0.3**	0.2	—	0.2
Finance costs	**—**	**—**	**—**	—	(3.4)	(3.4)
Profit before tax	**81.6**	**(12.5)**	**69.1**	64.6	(12.7)	51.9
Tax	**(14.9)**	**8.0**	**(6.9)**	(12.6)	3.1	(9.5)
Profit for the period	**66.7**	**(4.5)**	**62.2**	52.0	(9.6)	42.4

* EBITDA = Earnings before interest, tax, depreciation and amortisation

	Year ended 30 June 2018 £m	**Year ended 30 June2017 £m**
Analysis of adjusting items		
Affecting EBITDA		
System and process improvement costs	**(6.1)**	(3.8)
Costs associated with the new group headquarters	**(0.3)**	—
Contingent consideration fair value adjustment	**—**	1.0
Acquisition costs	**(0.2)**	—
	(6.6)	(2.8)
Affecting depreciation and amortisation		
Amortisation of acquisition related intangible asset	**(5.9)**	(5.9)
System and process improvement costs - Impairment	**—**	(0.6)
	(5.9)	(6.5)
Affecting operating profit*	**(12.5)**	(9.3)
Affecting profit before tax		
Finance costs: Unwinding of discount factor on contingent consideration and fees	**—**	(3.4)
	(12.5)	(12.7)
Affecting tax		
Tax effect of adjusting items	**2.8**	3.1
Tax benefit arising from new US tax legislation	**5.2**	—
Total adjusting items	**(4.5)**	(9.6)

* Of which £4.1m (2017: £4.4m) within Amortisation of acquisition related intangible assets is included within Research and development expenses, with the remaining £8.4m (2017: £4.9m) included within Selling, general and administrative expenses.

4. Taxation

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Current tax	**14.4**	10.4
Deferred tax	**(7.5)**	(0.9)
Total income tax charge	**6.9**	9.5
Adjusted income tax charge*	**14.9**	12.6

*Adjusted income tax charge excludes the tax effects of adjusting items and the impact on tax arising from new US tax legislation, both of which are set out in note 3.

The effective tax rate on reported profits is 10.0% (2017:18.3%) and has reduced mainly due to the impacts of the US reform (in particular the revaluation of deferred tax balances associated with the Group's acquired intangible assets). The US Tax Cuts and Jobs Act was signed in December 2017, resulting in a reduction in the US federal tax rate from 35.0% to 21.0% with effect from 1 January 2018. The effective tax rate on adjusted profits is 18.3% and excludes the impact of the above.

The UK corporation tax rate for the year was 19.0% (2017:19.75%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

From April 2020, the UK corporate tax rate will reduce to 17.0% in line with Finance Act 2016. This 17.0% rate continues to be applied in the deferred tax valuations based on the expected timing of when such assets and liabilities will be recovered.

5. 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 2018 £m	Year ended 30 June 2017 £m
Earnings		
Profit attributable to equity shareholders of the parent – adjusted	**66.7**	52.0
Adjusting items (note 3)	**(4.5)**	(9.6)
Profit attributable to equity shareholders of the parent – reported	**62.2**	42.4

	Million	Million
Number of shares		
Weighted average number of ordinary shares in issue	**204.8**	203.4
Less ordinary shares held by Equiniti Share Plan Trustees Limited	**(0.6)**	(0.7)
Weighted average number of ordinary shares for the purposes of basic EPS	**204.2**	202.7
Effect of potentially dilutive ordinary shares: Share options and awards	**1.6**	1.5
Weighted average number of ordinary shares for the purposes of diluted EPS	**205.8**	204.2

Basic EPS and adjusted EPS are calculated by dividing the earnings attributable to the equity shareholders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS and adjusted EPS are calculated on the same basis as basic EPS but with a further adjustment to the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. Such potentially dilutive ordinary shares comprise share 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 any unvested shares which have met, or are expected to meet, the performance conditions at the end of the year.

	Year ended 30 June 2018	Year ended 30 June 2017
Basic EPS	**30.5p**	20.9p
Diluted EPS	**30.2p**	20.7p
Adjusted basic EPS	**32.7p**	25.7p
Adjusted diluted EPS	**32.4p**	25.5p

6. Dividends

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Amounts recognised as distributions to the equity shareholders in the year:		
Final dividend for the year ended 30 June 2016 of 6.556 pence per share	**—**	13.3
Interim dividend for the year ended 30 June 2017 of 2.825 pence per share	**—**	5.8
Final dividend for the year ended 30 June 2017 of 7.355 pence per share	**15.1**	—
Interim dividend for the year ended 30 June 2018 of 3.420 pence per share	**7.0**	—
Total distributions to owners of the parent in the period	**22.1**	19.1

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

	Year ended 30 June 2018 £m
Proposed final dividend for the year ended 30 June 2018 of 8.580 pence per share	**17.6**

7. Business combinations

On 22 January 2018 the Group entered into a definitive license agreement with Roche for consideration of $17.6m (£13.0m). Under the terms of the agreement, the Group obtained the exclusive rights to the product portfolio of Spring Bioscience Corporation ("Spring"), in the research use only (RUO) field as well as the exclusive RUO rights for all future products developed for an initial period of 10 years. As part of the agreement, existing amounts of inventory also transferred to the Group.

Consideration of $2.1m (£1.5m) was exchanged on 30 May 2018. A liability for the balance of $15.5m (£11.8m) is included within Trade and other payables.

The provisional fair value identifiable assets recognised at the date of acquisition were as follows:

		£m
Non-current assets		
Intangible assets	**(i)**	**10.9**
Current assets		
Inventory		**2.0**
Total identifiable assets acquired		**12.9**
Goodwill		**0.1**
Total Consideration	**(ii)**	**13.0**

(i) Comprises £10.4m attributable to the license agreement and £0.5m to customer and distributor relationships.
(ii) Acquisition related expenses totalling £0.2m are included within Selling, general and administrative expenses.

8. Capital commitments

Future capital expenditure

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Contracted for but not provided	**5.8**	6.3

Amounts relate predominantly to amounts held in escrow to fund payments to be made to contractors in respect of the construction of the Group's new global headquarters on the Cambridge Biomedical Campus.

9. Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are therefore non-GAAP (or alternative) performance measures. These are set out as follows:

- CER is a measure which 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.
- EBITDA is a metric used to provide an approximation of cash generation from operating activities and is reconciled to its IFRS equivalent profit metric in note 3 to the financial information.
- Margin percentages (which are calculated by dividing the relevant profit figure by revenue) for each of the relevant profit metrics provide management with an insight into relative year on year performance.
- Adjusted profit measures, as described in note 1(c) to the financial information, are believed by the Directors to enable a reader to obtain a fuller understanding of underlying performance since they exclude items which are not reflective of the normal course of business. Furthermore, such measures are reflective of how performance is measured internally including targets against which compensation is determined. Adjusted profit measures are derived and reconciled to their reported IFRS equivalent on the face of the consolidated income statement as well as in note 3 to the financial information.

  Key adjusted income statement measures are: adjusted EBITDA, adjusted operating profit and adjusted profit before tax.

  Adjusting items (which are excluded to arrive at adjusted performance measures) are also described on the face of the income statement and in note 3 to the financial information.
- Adjusted earnings per share measures are derived from adjusted profit before tax with the rationale for their use being the same as for adjusted profit metrics and are reconciled to their IFRS equivalent in note 5 to the financial information.
- Free Cash Flow is defined on the face of the consolidated cash flow statement and provides management with an indication of the amount of cash available for discretionary investing or financing after removing capital related items.