

ABCAM PLC
("Abcam" or "the Company")

Preliminary Results for the Year Ended 30 June 2012

Abcam plc (AIM: ABC), a global leader in the supply of protein research tools, is pleased to announce its preliminary results for the year ended 30 June 2012.

Highlights

- Revenue increased by 17.5% to £97.8m (2011: £83.3m)
- At constant currencies and excluding the contribution from acquisitions made in the year, revenue growth was 11.5%
- Adjusted operating profit* increased by 20.9% to £38.6m (2011: £31.9m)
- Adjusted diluted EPS* increased by 19.2% to 15.59p (2011: 13.08p)
- Closing cash and term deposits of £17.5m (2011: £55.6m), with no bank debt outstanding
- Successful acquisitions of Ascent Scientific Ltd (Ascent), a specialist provider of biochemical reagents, and Epitomics International Inc (Epitomics), a high growth protein reagents business
- Number of products on the catalogue grew by 25.5% to 92,456 (2011: 73,652)
- Proposed 14.7% increase in final dividend to 4.36p (2011: 3.80p) giving a 15.2% increase for the year
- Trading since the year end has been in line with the Board's expectations

* Excluding £1.0m of acquisition-related intangible amortisation and £3.4m of other acquisition-related charges and, in the case of EPS, the related tax effect.

Commenting on the preliminary results, Jonathan Milner, Abcam's Chief Executive Officer, said:

"The year to 30 June 2012 was a period of great progress at Abcam. Our business performed well and, through the acquisitions of Ascent and Epitomics, we took major steps towards achieving our goal of becoming the world's leading life science reagents company.

"From a trading perspective, we expect Western markets to remain uncertain as Governments address fiscal deficits but, looking ahead, in this golden age of biology and discovery, the demand for high quality, discovery research tools can only increase, creating an abundance of opportunities for Abcam to help our customers discover more."

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Notes for editors

About Abcam plc

Abcam is a producer and distributor of high quality protein research tools. These tools enable life scientists to analyse components of living cells at the molecular level, which is essential in understanding health and disease.

Headquartered in Cambridge (UK), Abcam has subsidiary offices in Bristol (UK), Cambridge, MA (USA), Eugene, OR (USA), San Francisco, CA (USA), Tokyo (Japan), Hangzhou and Hong Kong (both in China), allowing it to serve a global customer base in over 130 countries. Abcam employs over 600 staff across its eight operating companies.

At 30 June 2012 Abcam had an online catalogue of 92,456 products sourced from more than 400 suppliers. The catalogue includes a growing range of non-primary antibody products such as secondaries, proteins, peptides, lysates, immunoassays and other kits. Products are available for life science research and distributed to academic and commercial users. A highly developed eCommerce platform, which includes regional websites for the Chinese and Japanese markets, allows customers to access up-to-date and detailed technical product data sheets at the Company's website, www.abcam.com.

Abcam was admitted to AIM in November 2005 and trades under the ticker symbol ABC. The Company's vision is to be the world's leading life science reagents company.

Chairman's Statement

I am pleased to report that we have achieved a good result for the year, despite demanding market conditions that have put continued pressure on our customers' budgets. At the same time we have taken huge strides towards our goal of becoming the world's leading life science reagents company.

In a tough macro-economic environment, in which Western Governments are dealing with large fiscal deficits and the levels of expenditure on centrally funded research are under pressure, I am pleased to report that Abcam has had another successful year. Adjusted profit before tax was £39.0m, before one-off costs incurred during the year of £3.4m relating to the acquisitions of Ascent Scientific Limited (Ascent, now known as Abcam Bristol) and Epitomics International Inc (Epitomics) and amortisation of the associated intangible assets from those acquisitions, together with those arising on the acquisition of MitoSciences Inc (MitoSciences, now known as Abcam Eugene), together amounting to £1.0m.

We have made significant progress in our strategy to drive growth by extending our product ranges, both through the two acquisitions closed in the period as well as by broadening the number and range of products in the catalogue from OEM suppliers. Our recent acquisitions have also opened up new market opportunities in in vitro diagnostic immunohistochemistry (IVD IHC), immunoassays, custom service and bioactive small molecules.

We have also maintained our push into markets in the East, where there are many growth opportunities. The differentiated nature and breadth of our product range are important drivers in pursuit of this strategy, which has been enhanced through the acquisition of Epitomics, with its manufacturing base in China.

Dividends

We are committed to delivering increasing returns to our shareholders. In light of the strong cash flow and continued success of the Group, our policy is to distribute an annual dividend of 40% of adjusted post-tax profit, after adding back costs of acquisition and amortisation of acquisition-related intangibles. An interim dividend of 1.69p per share was paid in April 2012 and consequently the Directors are recommending a final dividend of 4.36p per share, making a total of 6.05p for the year, an increase of 15.2% on that paid last year. Subject to shareholder approval at the AGM in October 2012, the final dividend will be paid on 23 November 2012 to shareholders on the register on 2 November 2012.

Governance and the Board

With significant progress made in the year in the implementation of our strategy, the Board provided ongoing enquiry and support to our Executive Directors, ensuring that they deliver the business plan effectively and efficiently.

We look very carefully at our Board composition, considering the skills required to improve our effectiveness. During 2011 we recognised the need to strengthen our knowledge base and experience to more specifically align the Board in relation to the global life science reagents sector and eCommerce trading. We were therefore delighted to welcome three new Non-Executive Directors, Anthony Martin, Murray Hennessy and Michael Ross, who have abundant expertise in these fields. We will continue to ensure that we have the appropriate balance of skills as we move forward.

Following completion of over 14 years' service as a Non-Executive Director, Tony Kouzarides, an original founder of the Company, has decided to step down from the Board after next month's AGM. I would like to thank Tony on behalf of everyone at Abcam for the immense contribution he has made, playing a vital role in the Company's success to date.

Tim Dye and Mark Webster retired this year and I would also like to thank them both again for their considerable contributions to the Board.

Joint broker

We were pleased to announce the appointment of Peel Hunt LLP as joint broker in March 2012. Numis Securities Limited remains as the Company's nominated advisor, financial advisor and joint broker.

Looking ahead

We have a clear plan for the business and we are committed to its execution. We expect Western markets will remain challenging as Governments address fiscal deficits, and that this in turn will create funding uncertainties for researchers in the US and Europe. The US position is unlikely to be clearer until after the Presidential election later this year, whilst in Europe the likely timing and outcome of the issues faced by the single currency add further uncertainty to the situation. This only serves to illustrate how vital it is that we are listening to our customers, staying true to our values and consistently executing on our strategy; in doing so we will strengthen our business and our relationships with all our stakeholders.

I never fail to be impressed by the dedication of our employees at all levels and the pride they show in their work. I would like to thank them for all they do to make this business consistently successful.

Mike Redmond
Chairman
5 September 2012

Chief Executive Officer's Review

In 2011/12 Abcam has performed well, with sales increasing by 17.5% and adjusted profit before tax increasing by 20.7%. This demonstrates that, in a tough environment, our customers continue to recognise the outstanding quality of our product and service offerings.

To date, we have built a superb business, predicated on a sound underlying business model and our core values. We are passionate about everything we do, striving to be the best in the world and aiming to deliver the best possible products to our customers, resulting in maximising returns for our shareholders.

The key to our ongoing strategy lies in our aims to:

- Optimise our existing products for our customers by continuing to increase the validation information on the products in the catalogue from as many relevant sources as possible;
- Continue improving our levels of customer service and scientific support to help our customers get the results they need from their research;
- Expand our core range of high quality primary antibodies by developing new products in-house as well as maintaining and expanding our network of excellent OEM suppliers;
- Enhance the breadth of our product catalogue by identifying new product ranges which will serve our existing customer base;
- Identify opportunities to add new products which will enter adjacent segments of the market;
- Continue to attract new customers; and
- Extend our geographic penetration.

I am delighted to report that we have made significant progress on all these fronts during the year, and we continue to focus on further enhancements to this strategy and ways to improve its execution into 2012/13 and beyond.

Geographic market review

The following table outlines our revenues in each geographic region, along with constant currency growth rates:

	Revenue 2011/12 £'000	Revenue 2010/11 £'000	Constant currency growth rate*
The Americas	40,468	36,869	9.7%
Europe, Middle East & Africa	32,810	29,993	10.1%
Japan	11,143	8,994	17.1%
Asia Pacific	8,758	7,388	18.6%
Revenues before miscellaneous income and acquisitions	93,179	83,244	11.5%
Miscellaneous income	30	28	
Abcam Biochemicals	1,382	-	
Epitomics	3,248	-	
Total reported revenue	97,839	83,272	

* Calculated by comparing 2011/12 revenues to 2010/11 revenues at the exchange rates prevailing in 2010/11.

The Americas

A large proportion of US research funding is provided by the National Institutes of Health (NIH), the future budget for which has been caught up in broader discussions among politicians about the overall levels of government expenditure in light of the country's fiscal deficit.

The relationship between US central funding and its impact on Abcam's sales is complex. We have grown for many years significantly ahead of NIH's core budget levels, and it is difficult to determine whether or to what extent Abcam has been a beneficiary of the \$10.4bn provided to NIH funding under the American Recovery and Reinvestment Act of 2009. Furthermore, as a provider of research tool consumables, Abcam can expect to be less affected by reductions in the NIH budget than, for example, those companies supplying more expensive laboratory equipment.

Nevertheless, NIH-funded researchers have faced considerable uncertainty during the year since it was only late in the first half of our 2012 financial year that a budget was finally agreed, with a relatively positive 1% increase through to September 2012.

Uncertainty remains a feature of the market however and is likely to remain so at least until after the presidential election later this year.

Elsewhere within The Americas we plan to improve our performance in Canada by increasing the level of customer service we are able to offer, whilst Latin America, most notably Brazil, has shown good growth.

Longer-term prospects in The Americas will be affected by the pace at which the US decides to reduce its deficit and what that means for the NIH budget.

Europe, Middle East & Africa (EMEA)

In our main EMEA markets, performance has been good in the UK and satisfactory in France and Germany, whose relatively strong economy has attracted more competition during the period.

Overall we are pleased with our performance in the smaller EMEA markets, particularly in Italy and Spain, whose economic difficulties continue to be widely reported. Elsewhere, in The Netherlands and Switzerland the local distributors we appointed to focus on particular parts of the market did not perform to our expectations. Our focus for the new financial year is on building closer relationships with our customers in those areas and improving our product positioning to make purchasing even easier.

In the longer term, the likely timing and outcome of the issues faced by the single currency add further uncertainty to the situation within the EMEA region and we aim to ride these out with an increased focus on customer segmentation and cross-selling to take advantage of our expanding product range, and continued efforts in growth markets such as India.

Japan

Growth in Japan was strong in the year, assisted by a stimulus package for research funding which began in October 2011 following a delay caused by the earthquake in March 2011. Abcam's superior offering has been the principal driver behind our growth historically, but we should be mindful that the longer term prospects in Japan may be linked to the amount of funding provided centrally to the recovery efforts following last year's earthquake. Nevertheless this is a fine performance and due credit goes to our dedicated staff in Japan.

Asia Pacific

The revenue increase in China was satisfactory, although impacted by external factors. The high level of growth achieved in the 2011 financial year made comparatives for this year more challenging, and there was a delay in the releasing of the funding to support the latest five year economic plan. Elsewhere growth was strong, notably in South Korea and Taiwan.

Given the strong funding in the region, particularly in China, Asia Pacific continues to be a market of significant potential for us.

Overall the 2011/12 financial year saw challenging market conditions in many of our main geographic markets and we expect the funding uncertainties faced by many of our customers to continue into the new financial year. Despite this, we believe Abcam is well positioned to successfully maintain its position in the market.

Acquisition of Ascent

A key focus for us this year has been in progressing our M&A strategy. During the year we acquired two companies and started the longer term projects of successfully integrating these businesses, along with that of Abcam Eugene, which was acquired shortly before the previous financial year end.

We completed the acquisition of Ascent on 12 September 2011. Ascent, now known as Abcam Bristol, has built an excellent reputation as a provider of high quality biochemical products used by life science researchers for modulating the function of proteins and has been quick to bring new, best-in-class reagents to market, backed by specialist technical support. This approach is very much in line with Abcam's ethos and many Abcam customers already use bioactive small molecules in their research. Consequently this range of reagents, which we have branded as Abcam Biochemicals, is a great complement to our existing catalogue of protein research tools.

In the period since acquisition, we have added over 200 new biochemicals to our catalogue through in-house manufacture as well as outsourcing, and at the year end the full Abcam Biochemicals range of diverse bioactive small molecules totalled 656 products.

We are excited by the opportunity the Abcam Bristol acquisition has brought us to bring this complementary product range to our existing customer base and we are investing in our IT infrastructure to improve the cross-selling of these products. Sales of

Abcam Biochemicals contributed revenue of £1.4m since acquisition and we expect the planned catalogue expansion and increased market penetration to produce strong underlying revenue growth in 2012/13.

Acquisition of Epitomics

We completed the purchase of Epitomics on 19 April 2012. Epitomics is focused on the development, production and distribution of rabbit monoclonal antibodies (RabMAbs®) for biomedical research and diagnostic applications.

RabMAb® products are superior to existing polyclonal and monoclonal antibodies for many applications. This is because they offer researchers a combination of higher affinity (meaning that they bind stronger to the target protein) and increased specificity (producing fewer off-target interactions). As well as developing and distributing RabMAbs® for academic and pharmaceutical research applications, this enables Epitomics to offer a custom production service to meet customers' specific requirements, providing solutions for research and diagnostic applications.

The superior quality of these products also allows Epitomics to offer a line of high quality antibodies for anatomical pathology – the in vitro diagnostics immunohistochemistry (IVD IHC) arm of the business, which provides RabMAbs® primarily for clinical diagnosis and prognosis of certain cancers including colon, prostate, ovarian and lymphoma. We are excited about the future potential of this market, although the current base is very small and is still in the early stages of development.

Additionally, Epitomics generates income from certain royalty payments and licence deals that it has with life science tools companies that pay to utilise aspects of Epitomics's patented RabMAb® technology in the development and manufacture of their own antibodies.

Epitomics represents a highly compelling strategic fit for Abcam and supports the Company's vision of becoming the world's leading life science reagents company. The acquisition provides us with extensive know-how in rabbit monoclonal antibody technology, helps to diversify our product offering and customer base and offers the opportunity to expand into the fast growing IVD IHC market.

Epitomics's strong historic and forecast growth and high margins (annual compound growth in reported revenues of 31% over their past five financial years to December 2011 and an historic gross margin in excess of 80%) are projected to boost Abcam's future sales growth and margins. Epitomics was an existing OEM supplier to Abcam prior to acquisition and we intend to leverage Abcam's existing customer base and strong global marketing and distribution expertise with Epitomics's RabMAb® products, technology and product pipeline.

We are pleased with the results we have seen in the ten weeks since acquisition, in which Epitomics has contributed revenues of £3.2m. We expect the overall Epitomics contribution to be earnings neutral in the first full year of ownership as we invest in the business to expand production and accelerate future growth, generating earnings enhancement from the second full year of ownership onwards.

Enhancing our product ranges

Our online catalogue has continued to grow strongly, comprising 92,456 products at the year end, representing growth of 25.5% over the previous year, as we took advantage of a number of one-off opportunities to add to new and existing product ranges.

We increased our range of primary antibodies by 23.5%, which includes 1,452 new RabMAb® products added in the year from Epitomics. The year has also seen a continued expansion and diversification of our non primary antibody product offering: we increased this portfolio of antibody-related and support reagents in the year by 5,418 products, including 656 new biochemicals from Abcam Bristol, to a total of 22,063 products. Key ranges we have identified for growth, proteins and peptides and kits, increased by 33.9% and 73.2% respectively in the period.

Our aim is to make our product range the most meaningful it can be to best assist researchers to discover more. A key component in achieving this is our continued drive to source more information on our products and I am delighted to report that we again set new highs in the year, particularly in terms of the number of images added to our product datasheets as a result of in-house testing. This increased by over 50% compared with the prior year, including a large increase in the number of images added to non primary antibody products such as proteins.

We also continue to obtain product data from a variety of other sources, such as Abreviews® provided by customers, and references where our products have been used in experiments published in leading scientific journals.

Customer service

We have implemented a number of initiatives during the year to enhance our customer service offering by improving delivery times and expanding our customer and technical support teams.

We now hold inventory in a bonded-warehouse within China which has cut delivery times to our China-based customers by an average of a week. Similarly, we have doubled the frequency of shipments directly to our Hong Kong office to speed up delivery times to our customers in the rest of the Asia Pacific region. Brazil is one of our fastest growing markets and we have appointed a new local distribution partner to whom we now ship direct, in order to better serve this region.

We continue to maintain our response rates in customer service, with 99% of queries responded to within 24 hours, and we have improved our scientific support offering by expanding our Hong Kong team, giving faster response rates in the region and enhancing our ability to support more customers in Cantonese and Mandarin. A new phone system installed during the year has also allowed us to extend the available hours and foreign language support of our customer service teams by sharing calls across the different geographic offices. We are now proud to say that we have the best opening hours in our market.

Strategic development priorities

Our strategic priorities are to build on our core business, to capitalise on the opportunities from the acquisitions already made, identify new areas to expand into and if appropriate pursue further M&A activities.

Primary antibodies are still by far our largest revenue provider and I am delighted that we have been able to add so many new products during the year. The provision of high-quality well-specified antibodies is a key focus for us and we will continue to actively pursue this through our own production and third party sourcing, with a dedication to the generation and harvesting of data on these products.

We will also continue our plans to extend our catalogue range to look at other data-rich products that are applicable to our research customer base where we were primarily known for our original core antibody offerings.

The attractive characteristics of RabMAbs® from Epitomics explained above will significantly enhance both our primary antibody and assay product portfolios, as well as custom service offering.

The extension of our biochemical product range will also be a priority, as will the pursuit of the longer term opportunity in IVD IHC, which is currently in its early stages.

In order to facilitate continued business expansion, we are looking at ways in which we can improve our internal operations, systems and marketing capabilities. For example we are investing in our core IT systems and website, in order to allow our systems to continue to scale, as well as up-skilling our IT teams. Over time our customers will see an improvement in their interaction with Abcam's website as well as a more personalised user experience.

Board changes

As mentioned in the Chairman's Statement, one of the original co-founders of the Company, Tony Kouzarides, will be stepping down from the Board after next month's AGM. Tony has played a huge role in my personal development, ever since I worked in his laboratory at the University of Cambridge from 1995 to 1998, studying the BRCA2 gene associated with hereditary breast cancer. I would like to personally thank him for the central role he played in setting up the Company, the wise counsel he has offered ever since, and the enormous contribution he has made to Abcam's success over the years.

Summing up

There is no doubt that this is a golden age of biology and discovery. Almost daily we hear of breakthroughs coming from gene sequence and protein function and regulation studies that map directly to biological function, enabling huge leaps in our understanding, diagnosis and treatments for disease. Looking forward, the appetite for high quality discovery research tools can only increase, giving an abundance of opportunities for Abcam which we are well placed and excited to address.

It is not just the products that make Abcam special, but also the people; I am incredibly proud of the team that is driving Abcam forward. This year, the energy and enthusiasm of our staff turned our plans into action and we are already seeing the results of their hard work. My sincere thanks go to all our employees across the business for what has been another successful year.

Jonathan Milner
Chief Executive Officer
5 September 2012

Financial Review

Revenues of £97.8m were 17.5% ahead of last year and adjusted profit before tax was £39.0m, an increase of 20.7%. Adjusted diluted earnings per share were up by 19.2% to 15.59p.

Whilst taking important steps in the delivery of our longer-term plans, completing two acquisitions in the year, we have continued to manage the business in the short-term by focusing on providing even better value to our customers. Alongside this, we have managed our costs tightly to mitigate the impact on our profitability, and support the investment in our future plans – helping us build a stronger platform from which to grow.

Abcam's acquisitions undertaken over the past two years have given rise to the recognition of intangible assets other than goodwill. These are amortised over their expected useful lives, with the cost recorded against research and development or administrative and management expenses as appropriate. In addition, acquisition-related professional fees have been incurred. Figures excluding these charges are referred to as 'adjusted' in this narrative to aid comparability, as summarised in the table below.

Record profitability and strong cash generation underpinned our policy to continue to distribute dividends amounting to 40% of adjusted post tax profits. The Directors have recommended payment of a total dividend of 6.05 pence per share in respect of 2011/12, representing an increase of 15.2% year-on-year.

The following table shows adjusted revenues, costs and expenses reconciled to reported IFRS revenues, costs and expenses.

	2011/12			2010/11				
	Adjusted income statement £000	Acquisition-related intangible amortisation £000	Other acquisition-related charges £000	Reported IFRS income statement £000	Adjusted income statement £000	Acquisition-related intangible amortisation £000	Other acquisition-related charges £000	Reported IFRS income statement £000
Revenue	97,839			97,839	83,272			83,272
Cost of sales	(30,282)			(30,282)	(27,239)			(27,239)
Gross profit	67,557			67,557	56,033			56,033
Gross margin	69.0%			69.0%	67.3%			67.3%
Admin and management expenses	(25,275)	(436)	(3,397)	(29,108)	(20,876)	(11)	(202)	(21,089)
R&D expenses	(3,686)	(528)		(4,214)	(3,231)			(3,231)
Operating profit	38,596	(964)	(3,397)	34,235	31,926	(11)	(202)	31,713
Operating margin	39.4%			35.0%	38.3%			38.1%
Investment income	500			500	398			398
Finance costs	(73)			(73)	-			-
Profit before tax	39,023	(964)	(3,397)	34,662	32,324	(11)	(202)	32,111
Tax	(9,630)	374		(9,256)	(8,330)	3	21	(8,306)
Profit after tax	29,393	(590)	(3,397)	25,406	23,994	(8)	(181)	23,805
Basic EPS	15.88p			13.72p	13.35p			13.23p
Diluted EPS	15.59p			13.48p	13.08p			12.98p

Revenue

Reported revenue for the year was £97.8m, representing growth of 17.5% over the prior year, including revenues of £3.2m from Epitomics and £1.4m from Abcam Bristol in the ten weeks and nine and a half months since acquisition respectively. Excluding revenues from these two acquisitions, reported growth for the year was 11.9%, and 11.5% on a constant currency basis (assuming exchange rates for the currencies in which the Group sells had remained unchanged from 2010/11).

Gross Margin

Gross margin increased to 69.0%, compared with 67.3% in the prior year. 1.2% of the uplift comes from a combination of higher selling prices, product mix and effective cost control, 0.4% from the contribution made by Epitomics in the period since acquisition, and 0.1% from the impact of more favourable exchange rates compared to the prior year.

Operating profit and expenses

Tight cost control has enabled us to increase adjusted operating margins to 39.4% (2010/11: 38.3%). We expect the opportunities for further operational gearing to be limited and will be increasing our investment in the development of the business following the recent acquisitions.

Administration and management expenses

On a like-for-like basis, excluding the costs contributed by the two entities acquired in the year, our administration and management expenses (prior to the impact of foreign exchange gains and losses, amortisation of acquisition-related intangibles and other acquisition-related charges) were tightly controlled to an increase of only 7.6% for the year, as summarised in the table below.

The main movements in these costs arose as a result of:

- a 36.8% increase (£0.4m) in the share-based payments charge as a result of the increase in headcount and the extension of the LTIP to senior managers;
- a decrease of £0.5m in the provision relating to overseas bonus plans;
- a 29.3% increase (£0.3m) in rent, rates and service charges as a result of the relocation of our Hong Kong and Japanese offices to larger premises and the expansion of our Boston office, in all three cases to accommodate growth, as well as a scheduled rent review at our laboratory facility in Cambridge, following the expiry of our initial five-year term; and
- a saving of £0.3m compared with the prior year as a result of costs incurred in 2010/11 relating to external due diligence and consultancy on a potential acquisition which did not proceed.

Abcam Bristol and Epitomics in total contributed a further increase in administrative and management expenses of £1.8m, giving a reported increase in underlying costs of 16.1%. As a percentage of revenue, this represents a small reduction to 25.7% (2010/11: 26.0%).

Key administration and management expenses movements:

	2011/12 £000	2010/11 £000	Reported increase %	Like-for- like increase %*
Share-based payments charge	1,370	985	39.1	36.8
Overseas incentive plans	(116)	357	(132.5)	(132.5)
Rent, rates and service charges	1,585	1,075	47.4	29.3
Costs of acquisition which did not proceed	-	302	(100.0)	(100.0)
Other operating costs	22,316	18,956	17.7	9.2
Total underlying administration and management expenses	25,155	21,675	16.1	7.6
As % of revenue	25.7%	26.0%		
Foreign exchange loss/(gain)	120	(799)		
Acquisition-related intangible amortisation	436	11		
Other acquisition-related charges	3,397	202		
Total reported administration and management expenses	29,108	21,089	38.0	29.3

*excluding the impact of costs contributed by Abcam Bristol and Epitomics

Research and development expenditure

Research and development (R&D) expenditure relates to the development of new products, as well as costs incurred in searching for and developing 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 as incurred.

Overall R&D expenditure increased by 30.4% in the year to £4.2m (2010/11: £3.2m). Of this, £1.5m was incurred in our three recently acquired entities, Abcam Eugene, Abcam Bristol and Epitomics, and £0.5m was due to amortisation of the acquisition-related intangibles attributed to patents and technological know-how. The remaining £1.0m decrease is attributable to R&D activities in our Cambridge, UK, laboratory; this is due to the implementation of further efficiencies in our processes, successful cost reduction negotiations with some of our key suppliers and a switch of resources away from monoclonal development.

Investment income and finance costs

Investment income increased in the year, reflecting the growing cash balances throughout the first nine months of the year prior to the net cash outflow of £45.1m for the acquisition of Epitomics in April 2012. In order to partially fund this acquisition, we negotiated a revolving credit facility of £20m, of which we drew down £13m, incurring finance costs of £73k in the period to the end of the year. Continued cash generation as well as the maturity of certain term deposits allowed us to fully repay this debt by the end of the year. The entire £20m facility remains in place for future drawdown as necessary, although our current plans only envisage this being required in the case of further M&A activity.

Earnings and tax

Profit before tax in 2011/12 was £34.7m or 35.4% of revenues, compared to £32.1m or 38.6% of revenues in 2010/11. Adjusted profit before tax in 2011/12 was £39.0m or 39.9% of revenues, compared with £32.3m or 38.8% of revenues in 2010/11.

The effective tax rate on adjusted profit before tax was 24.7% (2010/11: 25.7%), reflecting the benefit of announced changes to the UK corporation tax rate, R&D tax credits partially offset by the impact of higher foreign tax rates, as well as a £0.3m benefit from revised R&D tax credit claims relating to 2007/08 and 2008/09.

After taking into account the impact of £3.4m of non-deductible acquisition-related costs, as well as the deferred tax impact of acquisition-related intangible amortisation, the reported effective tax rate was 26.7% (2010/11: 25.9%).

Adjusted basic earnings per share (EPS) increased by 18.9% to 15.88p per share, and adjusted diluted EPS by 19.2% to 15.59p. The basic weighted average number of shares in issue during the period was 185.1m (2010/11: 179.9m), reflecting the additional shares issued in the year on the exercise of share options, the equity components of the consideration paid on the acquisitions of Abcam Bristol and Epitomics, and the full year effect of those shares issued at the end of 2010/11 for the acquisition of Abcam Eugene.

Balance sheet and cash flow

Goodwill and intangibles

Goodwill at 30 June 2012 was £82.4m compared with £2.1m at 30 June 2011. The increase in goodwill is primarily due to the two acquisitions that occurred during the year, with a small adjustment of £0.2m resulting from fair value adjustments made to the assets acquired in the Abcam Eugene acquisition. Goodwill is not amortised under IFRS but is subject to impairment review on at least an annual basis. During the year the directors performed the review which involved making various assumptions regarding the future performance of the business. After considering various scenarios that could reasonably occur, the directors concluded that no impairment was required. For more details, please see note 17 to the preliminary financial information.

Other intangible assets at 30 June 2012 were £34.3m, compared to £2.1m at 30 June 2011. The movement primarily reflects amortisation of the intangible assets and the additions resulting from the acquisitions in the year, as well as the development of hybridomas for the production of monoclonal antibodies, and software costs related to the project to invest in our core IT systems, described in more detail below. Further analysis can be found in note 18 to the preliminary financial information. Other intangible assets are amortised through the income statement over their estimated useful lives, and we have added back the amortisation of acquisition-related intangible assets in arriving at adjusted profit, as outlined above.

Capital expenditure

Additions of tangible and intangible assets amounted to £3.0m (2010/11: £1.0m) reflecting:

- the purchase of an additional Compound machine to enhance our minus 20 degree storage capacity, the temperature at which the majority of our finished goods are held;
- the creation of a new goods-in/goods-out area in our Boston office to enhance the capacity and efficiency of this area of operations;
- further investment in other inventory storage facilities across our distribution offices in order to accommodate the additional inventory taken on as a result of the acquisitions in the period;
- office moves for our Hong Kong and Japanese offices to accommodate expansion, as well as redesign of our UK and extension of the Eugene laboratory facilities;

- development of new Hybridomas by Epitomics; and
- the first stages of an investment in our core IT systems and website.

The latter project has incurred tangible fixed asset additions of £0.1m and intangible additions of £0.8m in the year, including capitalisation of internal staff costs as required by IAS 38 of £0.1m. This investment will be instrumental in supporting the delivery of Abcam's next stage of growth and we expect to capitalise approximately £4.5m in the next twelve months or so, of which £0.5m is estimated to be internal salary costs. Whilst there may be smaller amounts of ongoing investment to support the project after 2012/13, this is planned to be the major investment year.

Cash flow

	2011/12 £000	2010/11 £000
Adjusted EBITDA	40,350	33,543
Add back non-cash movements	1,351	1,105
Underlying working capital*	(3,998)	(1,593)
Underlying cash generated by operations	37,703	33,055
As a percentage of revenue	38.5%	39.7%
Settlement of pre-acquisition non-trading liabilities	(2,094)	-
Cash paid for acquisition-related charges	(3,055)	(202)
Capex and disposals	(2,831)	(1,155)
Interest and taxation	(7,506)	(7,079)
Dividends and share issues	(9,528)	(6,985)
Purchase of investments	(50,961)	(2,448)
Net cash (outflow)/inflow	(38,272)	15,186
Opening cash and term deposits	55,569	40,222
Foreign exchange movements	183	161
Closing cash and term deposits	17,480	55,569

* excluding the impact of the settlement of pre-acquisition non-trading liabilities by Epitomics of £2.1m.

We maintained strong cash generation in the year, recording underlying cash generated by operations of £37.7m, at 38.5% of Group revenue (2010/11: £33.1m, 39.7% of revenue).

The underlying working capital outflow reflects an increase in inventories of £2.0m, which includes an increase to reflect the growth of the business, product mix and strategic initiatives to support improved customer service. The movement in receivables was broadly in line with the increase in revenues. Payables has decreased by £1.2m due to the payout of bonuses under overseas incentive plans and the timing of one-off project-related payments as well as other supplier payment runs.

Overall, the Group reported a net cash outflow of £38.3m (2010/11: inflow of £15.2m). The majority of this outflow arose from the £51.0m net cash paid to partially fund the acquisitions of Abcam Bristol and Epitomics in the year. The remainder of the outflows result from an increase in capital expenditure, taxation and dividends, as well as £2.1m paid in settlement of non-trading balances accrued within Epitomics's opening balance sheet and £3.1m paid for acquisition-related costs.

Net cash and term deposits at the year end totalled £17.5m, with no bank debt outstanding.

Looking ahead

We will continue to manage the company prudently and to operate an efficient business; controlling our costs tightly whilst building a platform for long-term sustainable growth.

Jeff Iliffe
Chief Financial Officer
5 September 2012

Consolidated income statement for the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Continuing operations			
Revenue	6	97,839	83,272
Cost of sales		(30,282)	(27,239)
Gross profit		67,557	56,033
Administration and management expenses excluding share-based payments charge		(27,738)	(20,104)
Share-based payments charge	34	(1,370)	(985)
Total administration and management expenses		(29,108)	(21,089)
R&D expenses excluding share-based payments charge		(4,028)	(3,070)
Share-based payments charge	34	(186)	(161)
Total R&D expenses		(4,214)	(3,231)
Operating profit		34,235	31,713
Investment revenue	11	500	398
Finance costs	12	(73)	—
Profit before tax		34,662	32,111
Tax	14	(9,256)	(8,306)
Profit for the year attributable to shareholders	8, 31	25,406	23,805
Earnings per share from continuing operations			
Basic	16	13.72p	13.23p
Diluted	16	13.48p	12.98p
Adjusted diluted	16	15.59p	13.08p

Reconciliation of adjusted financial measures for the year ended 30 June 2012

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Operating profit	34,235	31,713
Acquisition costs	3,397	202
Amortisation of acquisition-related intangible assets	964	11
Operating profit (adjusted)	38,596	31,926

Consolidated statement of comprehensive income for the year ended 30 June 2012

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Profit for the year	25,406	23,805
Reserve movements on cash flow hedges	1,528	(1,263)
Exchange differences on translation of foreign operations	480	(17)
Tax relating to components of other comprehensive income	(611)	2,902
Other comprehensive income for the year	1,397	1,622
Total comprehensive income for the year	26,803	25,427

Consolidated statement of changes in equity for the year ended 30 June 2012

	Share capital £000	Share premium £000	Own shares £000	Translation reserve ¹ £000	Share-based payments reserve ² £000	Hedging reserve ³ £000	Deferred tax reserve ⁴ £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2011	364	15,400	(1,165)	251	2,881	(477)	2,636	54,030	73,920
Profit for the year	—	—	—	—	—	—	—	25,406	25,406
Exchange differences on translation of foreign operations	—	—	—	495	12	—	—	—	507
Movements on cash flow hedges	—	—	—	—	—	1,528	—	—	1,528
Tax relating to components of other comprehensive income	—	—	—	—	—	(380)	(619)	388	(611)
Total comprehensive income for the year	—	—	—	495	12	1,148	(619)	25,794	26,830
Issue of share capital	33	56,413	(478)	—	—	—	—	—	55,968
Own shares disposed of on release of shares	—	—	57	—	—	—	—	(57)	—
Share-based payments charge	—	—	—	—	1,556	—	—	—	1,556
Payment of dividends	—	—	—	—	—	—	—	(10,061)	(10,061)
Balance as at 30 June 2012	397	71,813	(1,586)	746	4,449	671	2,017	69,706	148,213

	Share capital £000	Share premium £000	Own shares £000	Translation reserve ¹ £000	Share-based payments reserve ² £000	Hedging reserve ³ £000	Deferred tax reserve ⁴ £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2010	360	12,920	(690)	247	1,806	445	1,550	36,584	53,222
Profit for the year	—	—	—	—	—	—	—	23,805	23,805
Exchange differences on translation of foreign operations	—	—	—	4	(21)	—	—	—	(17)
Movements on cash flow hedges	—	—	—	—	—	(1,263)	—	—	(1,263)
Tax relating to components of other comprehensive income	—	—	—	—	(50)	341	1,086	1,525	2,902
Total comprehensive income for the year	—	—	—	4	(71)	(922)	1,086	25,330	25,427
Issue of share capital	4	2,480	(483)	—	—	—	—	—	2,001
Own shares disposed of on release of shares	—	—	8	—	—	—	—	(8)	—
Share-based payments charge	—	—	—	—	1,146	—	—	—	1,146
Payment of dividends	—	—	—	—	—	—	—	(7,876)	(7,876)
Balance as at 30 June 2011	364	15,400	(1,165)	251	2,881	(477)	2,636	54,030	73,920

- ¹ Exchange differences on translation of overseas operations.
- ² IFRS 2 charge for fair value of share-based options and awards.
- ³ Gains and losses recognised on cash flow hedges.
- ⁴ Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

Consolidated balance sheet at 30 June 2012

	Notes	30 June 2012 £000	30 June 2011 £000
Non-current assets			
Goodwill	17	82,356	2,062
Intangible assets	18	34,297	2,097
Property, plant and equipment	19	5,763	2,481
Deferred tax asset	25	4,401	3,536
Derivative financial instruments	24	204	21
		127,021	10,197
Current assets			
Inventories	22	15,414	10,695
Trade and other receivables	23	14,286	9,910
Cash and cash equivalents		14,037	31,932
Term deposits		3,443	23,637
Derivative financial instruments	24	883	183
Available-for-sale asset	21	679	—
		48,742	76,357
Total assets		175,763	86,554
Current liabilities			
Trade and other payables	26	(10,726)	(8,335)
Current tax liabilities		(3,791)	(2,918)
Derivative financial instruments	24	(86)	(799)
		(14,603)	(12,052)
Net current assets		34,139	64,305
Non-current liabilities			
Deferred tax liability	25	(12,937)	(430)
Derivative financial instruments	24	(10)	(152)
		(12,947)	(582)
Total liabilities		(27,550)	(12,634)
Net assets		148,213	73,920
Equity			
Share capital	28	397	364
Share premium account	29	71,813	15,400
Own shares	30	(1,586)	(1,165)
Translation reserve	31	746	251
Share-based payments reserve	31	4,449	2,881
Hedging reserve	31	671	(477)
Deferred tax reserve	31	2,017	2,636
Retained earnings	31	69,706	54,030
Total equity attributable to shareholders		148,213	73,920

The preliminary financial information of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 5 September 2012.

They were signed on its behalf by:

Jeff Iliffe
Director

Consolidated cash flow statement for the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Net cash inflow from operating activities	33	24,464	25,483
Investing activities			
Investment income		584	291
Proceeds on disposal of property, plant and equipment		—	30
Purchase of property, plant and equipment		(1,890)	(1,038)
Purchase of intangible assets		(941)	(147)
Acquisition of subsidiaries, net of cash and term deposits acquired	32	(50,961)	(2,448)
Net cash used in investing activities		(53,208)	(3,312)
Financing activities			
Dividends paid		(10,061)	(7,876)
Proceeds on issue of shares		533	895
Purchase of own shares		—	(4)
Decrease/(increase) in term deposits		20,194	(600)
Net cash arising from/(used in) financing activities		10,666	(7,585)
Net (decrease)/increase in cash and cash equivalents		(18,078)	14,586
Cash and cash equivalents at beginning of year		31,932	17,185
Effect of foreign exchange rates		183	161
Cash and cash equivalents at end of year		14,037	31,932

Company balance sheet at 30 June 2012

	Notes	30 June 2012 £000	30 June 2011 £000
Non-current assets			
Intangible assets	18	1,284	434
Property, plant and equipment	19	1,571	2,007
Investments	20	123,112	4,041
Deferred tax asset	25	2,413	2,656
Derivative financial instruments	24	204	21
		128,584	9,159
Current assets			
Inventories	22	13,539	10,474
Trade and other receivables	23	11,204	10,843
Cash and cash equivalents		8,005	29,942
Term deposits		1,000	23,637
Derivative financial instruments	24	883	183
		34,631	75,079
Total assets		163,215	84,238
Current liabilities			
Trade and other payables	26	(13,074)	(7,336)
Current tax liabilities		(3,850)	(2,876)
Derivative financial instruments	24	(86)	(799)
		(17,010)	(11,011)
Net current assets		17,621	64,068
Non-current liabilities			
Derivative financial instruments	24	(10)	(152)
Total liabilities		(17,020)	(11,163)
Net assets		146,195	73,075
Equity			
Share capital	28	397	364
Share premium account	29	71,813	15,400
Own shares	30	(1,586)	(1,165)
Share-based payments reserve	31	4,386	2,877
Hedging reserve	31	671	(477)
Deferred tax reserve	31	1,787	2,089
Retained earnings	31	68,727	53,987
Total equity attributable to shareholders		146,195	73,075

The preliminary financial information of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 5 September 2012.

They were signed on its behalf by:

Jeff Iliffe
Director

Company cash flow statement for the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Net cash inflow from operating activities	33	27,043	23,493
Investing activities			
Investment income		570	286
Proceeds on disposal of property, plant and equipment		—	30
Purchases of property, plant and equipment		(554)	(922)
Purchases of intangible assets		(921)	(141)
Acquisition of subsidiaries	32	(63,507)	(2,570)
Dividends received		2,323	2,132
Net cash used in investing activities		(62,089)	(1,185)
Financing activities			
Dividends paid		(10,061)	(7,876)
Proceeds on issue of shares		533	895
Purchase of own shares		—	(4)
Decrease/(increase) in term deposits		22,637	(600)
Net cash arising from/(used in) financing activities		13,109	(7,585)
Net (decrease)/increase in cash and cash equivalents		(21,937)	14,723
Cash and cash equivalents at beginning of year		29,942	15,219
Cash and cash equivalents at end of year		8,005	29,942

Company statement of comprehensive income for the year ended 30 June 2012

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Profit for the year	24,501	23,929
Reserve movements on cash flow hedges	1,528	(1,263)
Share-based payments charge recognised on behalf of subsidiaries	129	120
Tax relating to components of other comprehensive income	(325)	2,221
Other comprehensive income for the year	1,332	1,078
Total comprehensive income for the year	25,833	25,007

Company statement of changes in equity for the year ended 30 June 2012

	Share capital £000	Share premium £000	Own shares £000	Share-based payments reserve ¹ £000	Hedging reserve ² £000	Deferred tax reserve ³ £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2011	364	15,400	(1,165)	2,877	(477)	2,089	53,987	73,075
Profit for the year	—	—	—	—	—	—	24,501	24,501
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	129	—	—	—	129
Movements on cash flow hedges	—	—	—	—	1,528	—	—	1,528
Tax relating to components of other comprehensive income	—	—	—	—	(380)	(302)	357	(325)
Total comprehensive income for the year	—	—	—	129	1,148	(302)	24,858	25,833
Issue of share capital	33	56,413	(478)	—	—	—	—	55,968
Own shares disposed of on exercise of share options	—	—	57	—	—	—	(57)	—
Share-based payments charge	—	—	—	1,380	—	—	—	1,380
Payment of dividends	—	—	—	—	—	—	(10,061)	(10,061)
Balance as at 30 June 2012	397	71,813	(1,586)	4,386	671	1,787	68,727	146,195

	Share capital £000	Share premium £000	Own shares £000	Share-based payments reserve ¹ £000	Hedging reserve ² £000	Deferred tax reserve ³ £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2010	360	12,920	(690)	1,731	445	1,315	36,836	52,917
Profit for the year	—	—	—	—	—	—	23,929	23,929
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	120	—	—	—	120
Movements on cash flow hedges	—	—	—	—	(1,263)	—	—	(1,263)
Tax relating to components of other comprehensive income	—	—	—	—	341	774	1,106	2,221
Total comprehensive income for the year	—	—	—	120	(922)	774	25,035	25,007
Issue of share capital	4	2,480	(483)	—	—	—	—	2,001
Own shares disposed of on exercise of share options	—	—	8	—	—	—	(8)	—
Share-based payments charge	—	—	—	1,026	—	—	—	1,026
Payment of dividends	—	—	—	—	—	—	(7,876)	(7,876)
Balance as at 30 June 2011	364	15,400	(1,165)	2,877	(477)	2,089	53,987	73,075

¹ IFRS 2 charge for fair value of share-based options and awards.

² Gains and losses recognised on cash flow hedges.

³ Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

Notes to the consolidated preliminary financial information for the year ended 30 June 2012

1. General information

Abcam plc (the Company) is incorporated in the UK under the Companies Act 2006. The address of the registered office is 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK.

The Group is a producer and distributor of high quality research-grade antibodies and associated protein research tools. The Group operates through its ultimate parent company Abcam plc and through its wholly owned subsidiaries Abcam Inc, Abcam KK, Abcam (Hong Kong) Limited, Ascent Scientific Limited, Epitomics Inc and MitoSciences Inc, allowing it to serve a global customer base of over 88 countries.

2. Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in this preliminary financial information:

Standards affecting the preliminary financial information

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in this preliminary financial information but may impact the accounting for future transactions and arrangements.

IAS 24 (2009) Related Party Disclosures

The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.

At the date of authorisation of this preliminary financial information, the following Standards and Interpretations which have not been applied in this preliminary financial information were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (amended)	Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the preliminary financial information of the Group.

3. Significant accounting policies

Basis of accounting

The preliminary financial information has been prepared in accordance with IFRSs. The preliminary financial information has also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group preliminary financial information complies with Article 4 of the EU IAS Regulation.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the preliminary financial information.

The preliminary financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The Group preliminary financial information is presented in Sterling and all values are rounded to the nearest thousand Pounds (£000) except when otherwise indicated. The principal accounting policies adopted are set out in the next few pages.

Basis of 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 where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values at the date of exchange of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the recognition criteria under IFRS 3 (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 in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured as per that Standard.

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. Cost also includes direct attributable costs of investment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is reviewed and tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit 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.

Revenue 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 goods are despatched and title has passed.

Sales of goods that result in award credits for customers, under the Abpoints Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Custom service revenue is recognised when the outcome of the contract can be estimated reliably and is then based on the stage of completion of the contract activity at the balance sheet date. 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 revenue.

Royalty revenue is recognised based on the contractual terms and substance of the agreements with the counterparty.

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.

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

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 income 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

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). 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 presentation currency for the consolidated preliminary financial information.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the rates prevailing at the balance sheet date. 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:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting preliminary financial information, the results of the operations of the Company's overseas subsidiaries are translated at the monthly average exchange rates during the period and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising on the translation of the opening net assets and results of operations are classified as equity and recognised in the Group's foreign currency 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.

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.

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 and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Deferred tax is calculated at the tax rates 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 equity, in which case the deferred tax is also dealt with in equity.

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 are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment, fixtures and fittings	20% per annum
Laboratory equipment	20% per annum
Computer equipment	33% per annum
Hybridomas	12.5% per annum
Motor vehicles	20% per annum

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 income.

Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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.

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 minimum useful lives. The minimum useful life is determined to be three years in the case of software, the term of the deal in the case of distribution rights and the length of the contract for contract-based intangibles.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 post-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.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

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 balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Available for sale financial assets

The Group has an investment in unlisted shares which is not traded in an active market but is classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured).

Trade and other receivables

Trade receivables are measured at initial recognition at fair value. 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 against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account 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 with an original maturity of over three months.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are measured 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 to manage its exposure to the risk associated with the variability in cash flows in relation to both recognised assets or liabilities and forecast 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 designates certain derivatives as either hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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 effective in offsetting changes in fair values or cash flows 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 are deferred in equity. 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 no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity 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 equity is recognised immediately in profit or loss.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2006.

Incentives in the form of shares are provided to employees under share option, SIP and LTIP. 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.

Fair value of options issued under the Group's share option schemes is measured by the use of the Monte Carlo Simulation.

Fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo Simulation for the TSR portion and the Black Scholes Model for the EPS portion.

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 retained earnings.

The Group operates an employee 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.

4. Critical accounting judgements and key sources of estimation uncertainty

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 carrying amounts of assets and liabilities as at the date of reporting the preliminary financial information, and the reported amounts of revenues and expenditure during the year. In preparation of the consolidated preliminary financial information, estimates and assumptions have been made by the Directors concerning the fair value of share options, the estimated useful lives of fixed assets, accruals and provisions required, the carrying value of investments, the recoverability of deferred tax assets, the carrying value of goodwill and other intangible assets and other similar evaluations. Actual amounts may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangibles

As part of the business combinations during the year, the Group acquired the following intangible assets: licence fees, customer relationships, patents, trade names, technology and know-how. Further to this the Group has begun to capitalise IT development costs relating to the rebuilding of the Group's IT core systems, since these costs meet the recognition criteria of IAS 38. The Group reviews the carrying amount of all intangible assets held at each balance sheet date and no impairment was considered necessary for these assets.

Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis or more frequently when there are indications of possible impairment. The impairment review requires a value in use calculation of the cash-generating units to which the goodwill is allocated. In estimating the value in use, management is required to make an estimate of the expected future cash flows attributable to the cash-generating unit and to choose an appropriate discount rate to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2012 was £82,356,000 (2011: £2,062,000). Further details are given in note 17.

Fair value of derivatives and other financial instruments

As described in note 27, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Valuation of own manufactured inventory

The standard costs used for the valuation of own manufactured inventory require a number of assumptions concerning the allocation of overheads. These assumptions are based primarily on management's estimates of time spent in each relevant area of activity and normal levels of activity.

Provision for slow moving or defective inventory

The provision for slow moving or defective inventory is based on management's estimation of the commercial life and shelf life of inventory lines. In assessing this, management takes into consideration the sales history of products and the length of time that they have been available for resale.

5. Income statement for the Company

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year. Abcam plc reported a profit for the year ended 30 June 2012 of £24,501,000 (2011: £23,929,000).

6. Revenue

An analysis of the Group's revenue, all of which derives from continuing operations, is as follows:

		Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Sales of goods		97,839	83,272
Investment revenue	11	500	398
		98,339	83,670

7. 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, which is 'sales of antibodies and related products'. The Group's revenue and results 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 comprises 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 2012 £000	Year ended 30 June 2011 £000	As at 30 June 2012 £000	As at 30 June 2011 £000
US	40,750	34,374	34,901	2,094
Japan	11,304	8,998	159	33
Germany	7,368	6,474	—	—
UK	7,098	6,278	86,587	4,496
Other countries	31,319	27,148	769	17
	97,839	83,272	122,416	6,640

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.

8. Profit for the year

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

		Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
	Notes		
Foreign exchange differences arising on financial instruments at fair value through profit or loss		(211)	(74)
Other net foreign exchange losses/(gains)		335	(725)
R&D expenditure (including amortisation as detailed below)		4,214	3,231
Operating lease rentals – land and buildings	13	1,362	905
Depreciation of property, plant and equipment	19	1,474	1,380
Loss on disposal of property, plant and equipment		—	8
Amortisation of intangible assets included within administration and management expenses	18	716	210
Impairment loss on intangible assets included within administration and management expenses	18	—	38
Amortisation of intangible assets included within R&D expenditure	18	528	—
Cost of inventories recognised as an expense		29,381	26,310
Write down of inventories recognised as an expense		882	929
Staff costs	10	18,105	14,656
Impairment loss recognised on trade receivables	23	4	42
Auditor's remuneration	9	612	164

9. Auditor's remuneration

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

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	93	75
Fees payable in relation to acquisition-related audit services	17	—
Fees payable to the Company's auditor for other services to the Group – the audit of the Company's subsidiaries pursuant to legislation	3	3
Total audit fees	113	78
– Audit-related assurance services	20	16
– Taxation compliance services	23	17
– Corporate finance services	374	30
– Other taxation advisory services	56	—
– Other services ¹	26	23
Total non-audit fees	499	86
Total auditor's remuneration	612	164

¹ Other services relates to training provided by the not-for-profit organisation Cambridge Network Limited and its subsidiaries. This is disclosed due to the audit partner also being a director of the Cambridge Network Limited. Consistent with the not-for-profit status, neither the audit partner nor Deloitte receives any remuneration in relation to this arrangement.

Details on the Company's policy on the use of the auditor for non-audit services are set out in the Audit Committee Report. During the year, the auditor was used for due diligence work as this was considered most beneficial to the Group due to the auditor's established knowledge and experience of the Group's activities. The auditor's independence and objectivity was safeguarded through the use of separate engagement teams. No services were provided pursuant to contingent fee arrangements.

10. Staff costs

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

	Group		Company	
	Year ended 30 June 2012 Number	Year ended 30 June 2011 Number	Year ended 30 June 2012 Number	Year ended 30 June 2011 Number
Management, administrative, marketing and distribution	309	245	171	156
Laboratory	96	52	41	50
	405	297	212	206

Their aggregate remuneration comprised:

	Group		Company	
	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Wages and salaries	14,157	11,131	8,402	7,556
Social security costs	1,443	1,247	625	717
Pension costs	949	1,132	769	1,012
Charge in respect of share options and awards granted	1,556	1,146	1,381	1,027
Total staff costs	18,105	14,656	11,177	10,312
Staff costs capitalised*	(65)	—	(65)	—
Net staff costs	18,040	14,656	11,112	10,312

*£65,000 (2011: £nil) relates to Group staff costs directly attributable to the rebuild of the IT core systems being capitalised as part of an internally generated intangible asset under IAS 38 (see note 18).

11. Investment revenue

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Interest on cash and term deposits	500	398

12. Finance costs

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Interest on bank loan	73	—

13. Operating lease arrangements

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Minimum lease payments under operating leases recognised as an expense in the year:		
– land and buildings	1,362	905

At the balance sheet date, the Group and Company 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:

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
Within one year	2,208	1,551	833	765
In the second to fifth years inclusive	5,554	4,325	1,272	1,870
After five years	70	388	—	131
	7,832	6,264	2,105	2,766

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 effect on the income statement will differ to the above figures to the extent of the amortisation of a £1.1m lease incentive received on signing of a new lease in 2008/09, and also the amortisation of the rent-free period included in the same lease agreement. The expected charge in 2012/13 on these operating leases is expected to be £1.9m for the Group and £0.5m for the Company.

14. Tax

	Note	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Current tax		9,741	8,972
Deferred tax	25	(485)	(666)
		9,256	8,306

Corporation tax is calculated at 25.5% (2011: 27.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 which became substantively enacted in March 2012.

The UK Government also announced a further reduction in the standard rate of corporation tax to 23% effective 1 April 2013, which was substantively enacted in July 2012, and has proposed a further reduction of 1% per annum to 22% by 1 April 2014. These further tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in this preliminary financial information.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

The impact of the rate reduction to 23%, which will be reflected in the next reporting period, is estimated to reduce the UK deferred tax asset and liability provided at 30 June 2012 by £121,000 and £19,000 respectively.

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

	Year ended 30 June 2012 £000	Year ended 30 June 2012 %	Year ended 30 June 2011 £000	Year ended 30 June 2011 %
Profit before tax	34,662		32,111	
Tax at the UK corporation tax rate of 25.5% (2011: 27.5%)	8,839	25.5%	8,831	27.5%
Effect of different tax rates of subsidiaries operating in different jurisdictions	423	1.2%	350	1.1%
Tax effect of expenses that are not deductible in determining taxable profit	904	2.6%	67	0.2%
R&D tax credit uplift	(713)	(2.1)%	(812)	(2.5)%
Prior year adjustments	(219)	(0.6)%	(142)	(0.4)%
Effect of difference between closing deferred tax rate and current tax rate	22	0.1%	12	0.0%
Tax expense and effective rate for the year	9,256	26.7%	8,306	25.9%

15. Dividends

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 June 2011 of 3.800 pence (2010: 2.922 pence*) per share	6,958	5,256
Interim dividend for the year ended 30 June 2012 of 1.690 pence (2011: 1.450 pence) per share	3,103	2,620
Total distributions to equity holders in the period	10,061	7,876
Proposed final dividend for the year ended 30 June 2012 of 4.36 pence (2011: 3.800 pence) per share	8,642	6,906

* This comparative has been rebased to reflect the five for one share sub-division which took place on 15 November 2010.

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.

16. Earnings per share

The calculation of the basic and diluted EPS is based on the following data:

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent company	25,406	23,805
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	185,131,455	179,865,322
Effect of dilutive potential ordinary shares:		
– share-based options and awards	3,383,068	3,541,456
Weighted average number of ordinary shares for the purposes of diluted EPS	188,514,523	183,406,778

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders 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 or where it is considered non-market performance conditions will not be met resulting in the options not vesting.

Adjusted earnings per share

The calculation of adjusted EPS excluding acquisition costs and amortisation of associated intangible assets is based on earnings of:

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	25,406	23,805
Acquisition costs	3,397	202
Amortisation of associated intangible assets	964	11
Tax effect of adjusting items	(374)	(24)
Profit after tax excluding acquisition costs and amortisation of associated intangible assets	29,393	23,994

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Adjusted EPS after adding back acquisition costs and amortisation of associated intangible assets:

	Year 30 June 2012 ended £000	Year) 30 Jun 2011 ended £000
Adjusted basic EPS	15.88p	13.34p
Adjusted diluted EPS	15.59p	13.08p

The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance.

17. Goodwill

	Note	£000
Cost		
At 1 July 2011		2,062
Recognised on acquisition of subsidiaries	32	80,067
Fair value adjustments during measurement period		227
At 30 June 2012		82,356
Accumulated impairment losses		
At 1 July 2011 and 30 June 2012		—
Carrying amount		
At 30 June 2011		2,062
At 30 June 2012		82,356

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Year ended 30 June 2012 £000	Year ended 30 June 2011 £000
MitoSciences business	2,289	2,062
Ascent Scientific business acquired 12 September 2011 (see note 32)	7,589	—
Epitomics business acquired 19 April 2012 (see note 32)	72,478	—
	82,356	2,062

The Group performs an annual test for 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, growth rates and anticipated movements in selling prices and direct costs during the period.

Management has projected cash flows based on financial forecasts over a period of four years. No growth rate has been used in the extrapolation of cash flows beyond the four years. A discount rate of 11% 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 sensitivity analysis on the key assumptions mentioned above. Based on the results of this analysis, management is satisfied that the carrying amount of goodwill exceeds its recoverable amount. As such, no impairment of goodwill has been recognised at the balance sheet date.

18. Intangible assets Group

	Up front 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 2010	322	1,393	195	—	—	—	—	—	1,910
Additions	65	—	53	—	—	—	—	—	118
Acquisition of subsidiary	—	—	2	1,666	—	—	—	—	1,668
At 1 July 2011	387	1,393	250	1,666	—	—	—	—	3,696
Additions	47	81	117	—	773	—	—	—	1,018
Acquisition of subsidiaries	9	—	13	1,901	—	5,455	22,812	2,236	32,426
At 30 June 2012	443	1,474	380	3,567	773	5,455	22,812	2,236	37,140
Amortisation and impairment									
At 1 July 2010	227	1,025	99	—	—	—	—	—	1,351
Charge for the year	66	64	69	11	—	—	—	—	210
Impairment loss	—	38	—	—	—	—	—	—	38
At 1 July 2011	293	1,127	168	11	—	—	—	—	1,599
Charge for the year	64	147	69	255	—	134	528	47	1,244
At 30 June 2012	357	1,274	237	266	—	134	528	47	2,843
Carrying amount									
At 30 June 2011	94	266	82	1,655	—	—	—	—	2,097
At 30 June 2012	86	200	143	3,301	773	5,321	22,284	2,189	34,297

Company

	Up front licence fees £000	Distribution rights £000	Software £000	Assets under construction £000	Total £000
Cost					
At 1 July 2010	322	1,393	192	—	1,907
Additions	65	—	48	—	113
At 1 July 2011	387	1,393	240	—	2,020
Additions	47	244	98	773	1,162
At 30 June 2012	434	1,637	338	773	3,182
Amortisation and impairment					
At 1 July 2010	227	1,025	99	—	1,351
Charge for the year	66	64	67	—	197
Impairment loss	—	38	—	—	38
At 1 July 2011	293	1,127	166	—	1,586
Charge for the year	63	187	62	—	312
At 30 June 2012	356	1,314	228	—	1,898
Carrying amount					
At 30 June 2011	94	266	74	—	434
At 30 June 2012	78	323	110	773	1,284

The amortisation period for the upfront licence fees and software is three years. The amortisation period for the distribution rights is the term of the agreement.

Contract-based intangibles predominately relates to two agreements:

- an agreement with the University of Oregon, under which the university supplies monoclonal antibodies to MitoSciences, who has full rights and entitlement to commercially exploit these materials in exchange for an ongoing fee. The remaining amortisation period is twelve years, being the remaining term of the agreement; and
- an agreement between Epitomics and Loyola University Chicago for access to a patent. The remaining amortisation period is to February 2015, being the expiry date of the agreement.

Assets under construction relate to the development of the core IT systems architecture. These are not amortised until being available for use in the business.

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

Patents, technology and know-how relates to the acquired RabMAb® technology as part of the Epitomics business. The remaining amortisation period is 15 years being the remaining term of the primary patent.

Trade names relates to RabMAb® and Epitomics. The remaining amortisation period is eight years.

19. Property, plant and equipment Group

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas £000	Hybridomas under construction £000	Motor Vehicles £000	Total £000
Cost							
At 1 July 2010	1,019	5,598	1,617	88	—	—	8,322
Additions	196	554	35	96	—	—	881
Acquisition of subsidiary	—	128	18	—	—	—	146
Exchange differences	(14)	(24)	(42)	—	—	—	(80)
Disposals	—	(49)	(28)	—	—	—	(77)
At 1 July 2011	1,201	6,207	1,600	184	—	—	9,192
Additions	307	962	423	211	115	—	2,018
Acquisition of subsidiaries	46	732	208	984	604	94	2,668
Exchange differences	7	22	20	25	16	2	92
Disposals	(2)	(9)	(14)	—	—	—	(25)
At 30 June 2012	1,559	7,914	2,237	1,404	735	96	13,945
Accumulated depreciation							
At 1 July 2010	724	3,963	695	45	—	—	5,427
Charge for the year	178	884	278	40	—	—	1,380
Exchange differences	(10)	(19)	(28)	—	—	—	(57)
Eliminated on disposals	—	(19)	(20)	—	—	—	(39)
At 1 July 2011	892	4,809	925	85	—	—	6,711
Charge for the year	231	817	341	83	—	2	1,474
Exchange differences	4	2	16	—	—	—	22
Eliminated on disposals	(2)	(9)	(14)	—	—	—	(25)
At 30 June 2012	1,125	5,619	1,268	168	—	2	8,182
Carrying amount							
At 30 June 2011	309	1,398	675	99	—	—	2,481
At 30 June 2012	434	2,295	969	1,236	735	94	5,763

Company

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas £000	Total £000
Cost					
At 1 July 2010	750	5,213	928	88	6,979
Additions	143	501	24	96	764
Disposals	—	(49)	—	—	(49)
At 1 July 2011	893	5,665	952	184	7,694
Additions	211	328	50	39	628
Disposals	—	(3)	(9)	—	(12)
At 30 June 2012	1,104	5,990	993	223	8,310
Accumulated depreciation					
At 1 July 2010	525	3,681	266	45	4,517
Charge for the year	133	810	206	40	1,189
Eliminated on disposals	—	(19)	—	—	(19)
At 1 July 2011	658	4,472	472	85	5,687
Charge for the year	166	633	211	54	1,064
Eliminated on disposals	—	(3)	(9)	—	(12)
At 30 June 2012	824	5,102	674	139	6,739
Carrying amount					
At 30 June 2011	235	1,193	480	99	2,007
At 30 June 2012	280	888	319	84	1,571

20. Investments in subsidiaries

The Company's subsidiaries at 30 June 2012 are:

	Country of incorporation	Proportion of shares held	Proportion of voting power held
Abcam Inc	US	100%	100%
Abcam KK	Japan	100%	100%
Abcam (Hong Kong) Limited	Hong Kong	100%	100%
Abcam Employee Share Benefit Trust Limited	UK	100%	100%
Abcam US Holdings, Inc	US	100%	100%
Abcam LLC	US	100%	100%
Ascent Scientific Limited	UK	100%	100%
Ascent Scientific LLC	US	100%	100%
Camgene Limited (dormant)	UK	100%	100%
Epitomics Inc	US	100%	100%
Epitomics (Hangzhou) Biotechnology Co., Limited	China	100%	100%
Epitomics (Hong Kong) Limited	Hong Kong	100%	100%
MitoSciences Inc	US	100%	100%

Abcam Inc, Abcam KK, Abcam (Hong Kong) Limited and MitoSciences Inc are involved in the sale and distribution of antibodies and related products. MitoSciences Inc also develops and manufactures related products for use in metabolism research. Ascent Scientific Limited is a specialist provider of biochemical tools. Epitomics Inc is focused on the development, production and distribution of monoclonal antibodies (RabMAbs®). The Abcam Employee Share Benefit Trust Limited holds in trust the shares purchased on behalf of employees participating in the Share Incentive Plan. Camgene Limited is dormant.

Analysis of changes in investments

	Note	£000
At 1 July 2010		203
Additions*		120
Addition relating to acquisition of subsidiary	32	3,718
At 1 July 2011		4,041
Additions*		129
Addition relating to acquisition of subsidiaries	32	118,942
At 30 June 2012		123,112

* These additions represent share-based payment charges for share options issued by the Company to employees of the subsidiaries.

Investments are held at cost less provision for impairment.

21. Available-for-sale financial asset

	30 June 2012 £000	30 June 2011 £000
Shares	679	—

As part of the Epitomics acquisition (see note 32) the Group acquired a 13% interest in Plexbio Co., Ltd (Plexbio), a privately owned biotechnology company headquartered in Taiwan. Plexbio was established to research, develop and manufacture IVD kits.

22. Inventories

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
Raw materials	497	30	—	—
Work in progress	621	60	—	—
Finished goods	14,296	10,605	13,539	10,474
	15,414	10,695	13,539	10,474

23. Financial assets

Trade and other receivables

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
Amounts receivable for the sale of goods	10,478	8,267	3,051	3,430
Allowance for doubtful debts	(433)	(323)	(101)	(124)
	10,045	7,944	2,950	3,306
Amounts owed by subsidiary undertakings	—	—	6,278	6,408
Other debtors	2,701	886	1,198	373
Prepayments	1,540	1,080	778	756
	14,286	9,910	11,204	10,843

Trade receivables

The average credit period taken for sales is 34.0 days (2011: 35.0 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. The Group and Company have provided fully for all receivables over 90 days past due because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable. Trade receivables between 30 days and 90 days are provided for based on estimated irrecoverable amounts from the sale of goods determined by reference to past default experience.

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 analysis below shows the balances included in debtors which are past due at the reporting date for which the Group or Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. Neither the Group nor Company holds any collateral or other credit enhancements over these balances, nor do they have a legal right to offset against any amounts owed to the counterparty.

Ageing of past due but not impaired receivables

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
	0 to 30 days overdue	1,721	1,302	454
30 to 60 days overdue	467	151	41	—
	2,188	1,453	495	378

Movement in the allowance for doubtful debts

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
	Balance at the beginning of the year	(323)	(297)	(124)
Acquisition of subsidiaries	(106)	—	—	—
Impairment (losses)/gains recognised through income statement	(4)	(42)	17	(28)
Exchange differences on translation of foreign operations	(3)	12	—	—
Amounts written off as uncollectable	25	24	10	11
Amounts recovered during the year	(22)	(20)	(4)	—
Balance at the end of the year	(433)	(323)	(101)	(124)

In determining the recoverability of a trade receivable the Group and Company consider 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.

Ageing of impaired receivables

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
	0 to 30 days overdue	94	79	16
30 to 60 days overdue	178	152	51	68
60 to 90 days overdue	89	39	21	16
More than 90 days overdue	72	53	13	15
	433	323	101	124

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

24. Derivative financial instruments

Group and Company: 30 June 2012

	Current		Non-current		Total £000
	Asset £000	Liability £000	Asset £000	Liability £000	
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	708	(20)	204	(10)	882
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	175	(66)	—	—	109
	883	(86)	204	(10)	991

Group and Company: 30 June 2011

	Current		Non-current		Total £000
	Asset £000	Liability £000	Asset £000	Liability £000	
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	60	(573)	21	(152)	(644)
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	123	(226)	—	—	(103)
	183	(799)	21	(152)	(747)

Further details of derivative financial instruments are provided in note 27.

25. Deferred tax

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

Group

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payment £000	Other timing differences £000	Total £000
At 30 June 2010	(243)	(174)	1,791	43	1,417
Acquisition of subsidiary	(18)	—	—	(406)	(424)
Credit to income	142	—	291	260	693
Credit to equity	—	341	1,086	—	1,427
Exchange differences	2	—	(4)	(5)	(7)
At 30 June 2011	(117)	167	3,164	(108)	3,106
Acquisition of subsidiaries	(601)	—	—	(10,341)	(10,942)
(Charge)/credit to income	(120)	—	229	376	485
Fair value adjustments (note 32)	—	—	—	(233)	(233)
Charge to equity	—	(380)	(619)	—	(999)
Exchange differences	(20)	—	2	65	47
At 30 June 2012	(858)	(213)	2,776	(10,241)	(8,536)

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 2012 £000	30 June 2011 £000	30 June 2010 £000
Deferred tax assets	4,401	3,536	1,417
Deferred tax liabilities	(12,937)	(430)	—
	(8,536)	3,106	1,417

The deferred tax liability of £12,937,000 (2011: £430,000) has been recognised in relation to the acquired intangible assets as a result of the acquisitions (note 32). Amounts released from this liability during the period were £374,000 (2011: £3,000), representing the decrease of the deferred tax liability in line with amortisation charged against the carrying value of the associated intangible assets.

Company

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payment £000	Other timing differences £000	Total £000
At 30 June 2010	(219)	(174)	1,475	(96)	986
Credit to income	157	—	267	131	555
Credit to equity	—	341	774	—	1,115
At 30 June 2011	(62)	167	2,516	35	2,656
Credit/(charge) to income	113	—	331	(5)	439
Charge to equity	—	(380)	(302)	—	(682)
At 30 June 2012	51	(213)	2,545	30	2,413

At the balance sheet date, there are no aggregate temporary differences associated with undistributed earnings of subsidiaries for which a deferred tax liability has not been recognised (2011: £nil). No temporary differences exist in the current year as a result of a change to the UK tax legislation which largely exempts dividends from UK tax if received on or after 1 July 2009. The Directors believe that all dividends to be paid by the Company's subsidiaries will meet the criteria for exemption from UK tax.

26. Other financial liabilities

Trade and other payables

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
Amounts falling due within one year				
Trade payables	4,148	3,534	3,175	3,160
Amounts owed to subsidiary undertakings	—	—	1,373	431
Borrowings owed to subsidiary undertakings	—	—	5,059	—
Accruals and deferred income	5,665	4,515	3,193	3,479
Other taxes and social security	333	271	274	265
Other creditors	580	15	—	1
	10,726	8,335	13,074	7,336

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. At 30 June 2012, the Group had an average of 34 days of purchases (2011: 37 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 timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

27. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

	Group carrying value		Company carrying value	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
	Financial assets			
Loans and receivables				
Amounts owed by subsidiary undertakings	—	—	6,278	6,408
Trade receivables	10,045	7,944	2,950	3,306
VAT recoverable (included in other debtors)	1,244	515	1,171	361
	11,289	8,459	10,399	10,075
Cash and cash equivalents				
Cash and cash equivalents and term deposits	17,480	55,569	9,005	53,578
Loans and receivables (including cash and cash equivalents)	28,769	64,028	19,404	63,653
Financial liabilities				
Other financial liabilities at amortised cost				
Trade and other payables*	(5,061)	(3,820)	(3,449)	(3,426)
Current tax liabilities	(3,791)	(2,918)	(3,850)	(2,876)
Amortised cost	(8,852)	(6,738)	(7,299)	(6,302)

* Financial liabilities at amortised cost within trade and other payables consist of trade payables, intercompany payables, other taxes and other payables.

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial assets and liabilities at the balance sheet date. This is because most of the financial assets and liabilities are short term.

Fair value measurements recognised in the balance sheet

Financial instruments that are measured subsequent to initial recognition at fair value have been classified using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

- 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 Group's derivatives meet the definition of Level 2, as outlined above. There were no transfers between Level 1 and 2 during the year.

Risk in relation to the use of financial instruments

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or the Company. Trade receivables consist of a large number of customers spread across diverse geographical areas. The Group does not have a significant credit risk exposure to any single counterparty. Ongoing credit evaluation is performed on the financial condition of accounts receivable and consideration is given as to whether there is any impairment in the value of any amounts owing.

The standard payment terms for receivables other than intra-group balances are 30 days. Any variation in these terms requires authorisation by senior management. Year-end debtor days are 34.0 days (2011: 35.0 days). All overdue debts are provided for where collectability is considered doubtful or the value of the debt is impaired. Objective evidence of impairment could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 34.0 days, as well as observable changes in international or local economic conditions.

The standard payment terms for intra-group receivables are 45 days. There is not considered to be any risk of impairment of these receivables unless the financial assets of the entity holding the corresponding liability are impaired.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are major financial institutions. Funds are split between at least two institutions. The carrying amount best represents the maximum exposure to credit risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward exchange contracts to hedge the exchange rate risk arising on the sales of goods and services denominated in US Dollars, Euros and Japanese Yen.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. The Group's policy is to maintain natural hedges where possible, by matching foreign currency revenue and expenditure. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date, not denominated in the local functional currency, are as follows:

	Liabilities		Assets	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
Euros	(243)	(179)	2,400	2,493
US Dollars	(3,455)	(2,074)	13,114	6,030
Japanese Yen	(77)	(49)	2,229	1,794
Hong Kong Dollars	—	(4)	34	56
	(3,775)	(2,306)	17,777	10,373

Foreign currency sensitivity analysis

The Group's principal functional currency is Sterling. The Group is mainly exposed to US Dollars and Euros but has an increasing exposure to Japanese Yen. Since opening an office in Hong Kong, the Group is also exposed to Hong Kong Dollars. This exposure is not considered material and hence is not included in the analysis below.

The following table details the Group's sensitivity to an 8% increase and decrease in the Sterling exchange rate against the relevant foreign currencies on the Group's profit before tax and equity. 8% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and forward exchange contracts in the balance sheet at the end of the relevant accounting period and adjusts their translation at the period end for an 8% change in foreign currency rates. It does not represent the overall impact on Group profitability if the exchange rate sensitivity had been applied through the reporting period. A positive number indicates an increase in profit or equity.

	Yen currency impact		Euro currency impact		US Dollar currency impact	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Effect of an 8% strengthening in relevant exchange rate on:						
Profit or loss	35	—	—	—	45	—
Other equity	535	407	1,289	1,305	1,266	785
Effect of an 8% weakening in relevant exchange rate on:						
Profit or loss	(42)	—	—	—	(53)	—
Other equity	(628)	(478)	(1,513)	(1,532)	(1,486)	(922)

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.

Forward exchange contracts

It is the policy of the Group to enter into forward exchange contracts to manage the risk associated with anticipated sales transactions out to 15 months within 30% to 80% of the exposure generated. Upon maturity of a forward exchange contract, the Group may enter into a new contract designated as a separate hedging relationship.

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 following table details the forward exchange contracts outstanding as at the year end:

Outstanding contracts	Average rate 30 June 2012	Foreign currency 30 June 2012 000	Contract value 30 June 2012 £000	Fair value 30 June 2012 £000
Sell US Dollars				
Less than 3 months	1.58	\$5,977	3,780	(29)
3 to 6 months	1.56	\$6,050	3,879	23
7 to 12 months	1.56	\$12,400	7,951	43
13 to 15 months	1.56	\$6,350	4,071	20
	1.56	\$30,777	19,681	57
Sell Euros				
Less than 3 months	1.16	€4,758	4,091	243
3 to 6 months	1.19	€4,825	4,050	143
7 to 12 months	1.19	€9,925	8,340	284
13 to 15 months	1.19	€5,075	4,258	129
	1.19	€24,583	20,739	799
Sell Yen				
Less than 3 months	128.26	¥209,486	1,633	(42)
3 to 6 months	121.79	¥215,350	1,768	42
7 to 12 months	121.42	¥448,700	3,696	89
13 to 15 months	121.03	¥233,575	1,930	46
	122.65	¥1,107,111	9,027	135
Total of outstanding forward contracts			49,447	991
Outstanding contracts	Average rate 30 June 2011	Foreign currency 30 June 2011 000	Contract value 30 June 2011 £000	Fair value 30 June 2011 £000
Sell US Dollars				
Less than 3 months	1.55	\$5,400	3,482	115
3 to 6 months	1.59	\$4,385	2,759	23
7 to 12 months	1.59	\$9,173	5,778	43
13 to 15 months	1.58	\$4,352	2,747	21
	1.58	\$23,310	14,766	202
Sell Euros				
Less than 3 months	1.17	€4,618	3,934	(235)
3 to 6 months	1.15	€4,297	3,726	(147)
7 to 12 months	1.16	€9,028	7,808	(309)
13 to 15 months	1.16	€4,208	3,634	(140)
	1.16	€22,151	19,102	(831)
Sell Yen				
Less than 3 months	137.24	¥244,476	1,781	(108)
3 to 6 months	128.48	¥170,555	1,328	7
7 to 12 months	128.91	¥356,772	2,768	(5)
13 to 15 months	129.29	¥161,536	1,249	(12)
	130.98	¥933,339	7,126	(118)
Total of outstanding forward contracts			40,994	(747)

At 30 June 2012, the fair value of contracts held as cash flow hedges is an asset of £883,000 (2011: liability of £644,000). The remaining contracts are not held as cash flow hedges.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

The Group and Company hold cash deposits at call or with a maturity of up to five years. At 30 June 2012, the average maturity of balances was 856 days (2011: 83 days) of fixed rate deposits not sensitive to changes in interest rates. Sufficient funds are readily available to the Company to meet operational requirements.

Trade payables are normally payable within 30 days of invoice and the standard payment terms for intra-group receivables are 45 days.

Liquidity and interest risk tables – financial liabilities

All balances are capital and do not include accrued interest.

	Weighted average interest rate %	On demand 1 month £000	1 to 3 months £000	3 months to 1 year £000	Total £000
Group					
2012					
Trade payables	—	(3,948)	(180)	(20)	(4,148)
Accruals and deferred income	—	(2,057)	(1,390)	(2,218)	(5,665)
		(6,005)	(1,570)	(2,238)	(9,813)

Company					
2012					
Trade payables	—	(3,073)	(96)	(6)	(3,175)
Accruals and deferred income	—	(1,202)	(1,185)	(806)	(3,193)
		(4,275)	(1,281)	(812)	(6,368)

	Weighted average interest rate %	On demand 1 month £000	1 to 3 months £000	3 months to 1 year £000	Total £000
Group					
2011					
Trade payables	—	(3,296)	(237)	(1)	(3,534)
Accruals and deferred income	—	(2,764)	(163)	(1,588)	(4,515)
		(6,060)	(400)	(1,589)	(8,049)

Company					
2011					
Trade payables	—	(2,981)	(177)	(2)	(3,160)
Accruals and deferred income	—	(2,377)	(108)	(994)	(3,479)
		(5,358)	(285)	(996)	(6,639)

Interest rate risk sensitivity analysis

An increase of 0.25% in the average interest rate during the year would have resulted in an increase in interest received by the Group of £91,000 (2011: £120,000) and by the Company of £78,000 (2011: £115,000). A decrease of 0.25% in the average interest rate during the year would have resulted in a reduction in interest received by the Group of £91,000 (2011: £120,000) and by the Company of £78,000 (2011: £115,000). There would have been no effect on equity reserves.

The average cash and term deposits balance throughout the year has been used as the basis for the calculations. A 0.25% increase or decrease in interest rates represents management's assessment of the reasonably possible change in interest rates.

28. Share capital
Group and Company

	30 June 2012 £000	30 June 2011 £000
Issued and fully paid:		
198,211,177 (2011:181,724,652) ordinary shares of 0.2 pence each	397	364

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

	2012 Number	2012 £000	2011 £000
Balance at beginning of year	181,724,652	364	360
Issue of share capital	16,486,525	33	4
Balance at end of year	198,211,177	397	364

The Company has one class of ordinary shares which carry no right to fixed income.

During the year the Company issued 0.2 pence ordinary shares as follows:

Date issued	Number of shares	Exercise price £	Total paid £
September 2011	1,157,481*	3.4558	4,000,023
September 2011	2,800	0.125	350
September 2011	3,000	0.624	1,872
September 2011	20,150	0.624	12,574
September 2011	500	0.624	312
October 2011	8,600	0.125	1,075
October 2011	3,215	0.56	1,800
October 2011	1,000	0.624	624
October 2011	15,410	0.624	9,616
October 2011	12,555	0.624	7,834
October 2011	1,000	0.624	624
October 2011	138,558**	3.448	477,721
November 2011	3,655	0.448	1,637
November 2011	19,600	0.924	18,110
November 2011	48,785	0.924	45,077
November 2011	25,500	0.924	23,562
November 2011	6,250	0.624	3,900
November 2011	57,440	0.924	53,075
November 2011	3,150	0.924	2,911
November 2011	45,175	0.924	41,742
November 2011	22,035	0.924	20,360
November 2011	4,385	0.448	1,964
November 2011	6,250	0.924	5,775
November 2011	19,585	0.924	18,097
November 2011	243	0.624	152
November 2011	18,250	0.924	16,863
November 2011	13,180	0.924	12,178
November 2011	3,400	0.56	1,904
November 2011	2,750	0.924	2,541
November 2011	30,000	0.002	60
November 2011	119,010	0.924	109,965
January 2012	14,620	0.448	6,550
March 2012	2,500	0.924	2,310
March 2012	300	0.924	277
March 2012	7,411	0.924	6,848
March 2012	12,449	0.924	11,503
March 2012	30,560	0.56	17,114
March 2012	6,230	0.624	3,888
March 2012	3,500	0.924	3,234
March 2012	5,445	0.924	5,031

Date issued	Number of shares	Exercise price £	Total paid £
March 2012	2,500	0.924	2,310
April 2012	2,295	0.56	1,285
April 2012	1,500	0.624	936
April 2012	2,800	0.125	350
April 2012	1,215	0.624	758
April 2012	1,000	0.624	624
April 2012	9,500	0.924	8,778
April 2012	3,450	0.624	2,153
April 2012	2,650	0.624	1,654
April 2012	11,695	0.448	5,239
April 2012	14,498,923***	3.5475	51,434,929
April 2012	7,450	0.624	4,649
April 2012	1,000	0.924	924
April 2012	2,600	0.05	130
May 2012	22,920	0.624	14,302
May 2012	1,750	0.924	1,617
May 2012	3,300	0.56	1,848
May 2012	2,300	0.624	1,435
May 2012	11,750	0.924	10,857
	16,486,525		56,445,831

* Shares issued as part consideration for the acquisition of Ascent Scientific Limited. For further details refer to note 32.

** New shares issued and held by the employee benefit trust to satisfy the Company's obligations under the Free Shares and Matching Shares elements of the SIP.

***Shares issued as part consideration for the acquisition of Epitomics Inc. For further details refer to note 32.

Further details of the Company's share option schemes are provided in note 34.

29. Share premium Group and Company

	£000
Balance at 1 July 2010	12,920
Premium arising on issue of equity shares	2,480
Balance at 1 July 2011	15,400
Premium arising on issue of equity shares	56,413
Balance at 30 June 2012	71,813

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

30. Own shares Group and Company

	£000
Balance at 1 July 2011	(1,165)
Acquired in the period	(478)
Disposed of on exercise of options	57
Balance at 30 June 2012	(1,586)

This balance represents the cost of 866,435 shares with a nominal value of £1,733 in Abcam plc (2011: 670,472) 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 34 for further details of this scheme.

31. Retained earnings and other reserves Group

	Notes	Translation reserve ¹ £000	Share-based payments reserve ² £000	Hedging reserve ³ £000	Deferred tax reserve ⁴ £000	Retained earnings £000	Total £000
Balance as at 1 July 2010		247	1,806	445	1,550	36,584	40,632
Exchange differences on translation of foreign operations		4	(21)	—	—	—	(17)
Share-based payments charge		—	1,146	—	—	—	1,146
Deferred tax asset recognised		—	—	341	1,086	—	1,427
Current tax deduction for exercise of share options		—	(50)	—	—	1,525	1,475
Profit for the year		—	—	—	—	23,805	23,805
Own shares disposed of on exercise of options		—	—	—	—	(8)	(8)
Increase in fair value of hedging derivatives		—	—	(1,263)	—	—	(1,263)
Payment of dividends	15	—	—	—	—	(7,876)	(7,876)
Balance as at 1 July 2011		251	2,881	(477)	2,636	54,030	59,321
Exchange differences on translation of foreign operations		495	12	—	—	—	507
Share-based payments charge		—	1,556	—	—	—	1,556
Deferred tax asset recognised		—	—	(380)	(619)	—	(999)
Current tax deduction for exercise of share options		—	—	—	—	388	388
Profit for the year		—	—	—	—	25,406	25,406
Own shares disposed of on exercise of options		—	—	—	—	(57)	(57)
Decrease in fair value of hedging derivatives		—	—	1,528	—	—	1,528
Payment of dividends	15	—	—	—	—	(10,061)	(10,061)
Balance as at 30 June 2012		746	4,449	671	2,017	69,706	77,589

¹ Exchange differences on translation of overseas operations.

² IFRS 2 charge for fair value of share-based options and awards.

³ Gains and losses recognised on cash flow hedges and associated deferred tax assets and liabilities created.

⁴ Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

Company

	Notes	Translation reserve ¹ £000	Share-based payments reserve ² £000	Deferred tax reserve ³ £000	Retained earnings £000	Total £000
Balance as at 1 July 2010		1,731	445	1,315	36,836	40,327
Share-based payments charge		1,026	—	—	—	1,026
Share-based payments charge recognised on behalf of subsidiaries		120	—	—	—	120
Deferred tax asset recognised		—	341	774	—	1,115
Current tax deduction for exercise of share options		—	—	—	1,106	1,106
Profit for the year		—	—	—	23,929	23,929
Own shares disposed of on exercise of options		—	—	—	(8)	(8)
Increase in fair value of hedging derivatives		—	(1,263)	—	—	(1,263)
Payment of dividends	15	—	—	—	(7,876)	(7,876)
Balance as at 1 July 2011		2,877	(477)	2,089	53,987	58,476
Share-based payments charge		1,380	—	—	—	1,380
Share-based payments charge recognised on behalf of subsidiaries		129	—	—	—	129
Deferred tax asset recognised		—	(380)	(302)	—	(682)
Current tax deduction for exercise of share options		—	—	—	357	357
Profit for the year		—	—	—	24,501	24,501
Own shares disposed of on exercise of options		—	—	—	(57)	(57)
Decrease in fair value of hedging derivatives		—	1,528	—	—	1,528
Payment of dividends	15	—	—	—	(10,061)	(10,061)
Balance as at 30 June 2012		4,386	671	1,787	68,727	75,571

¹ IFRS 2 charge for fair value of share-based options and awards.

² Gains and losses recognised on cash flow hedges and associated deferred tax assets and liabilities created.

³ Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

32. Acquisition of subsidiaries during the year

Ascent Scientific Limited

On 12 September 2011, the Company acquired 100% of the issued share capital of Ascent Scientific Limited (Ascent) for total consideration of £10m. Total consideration comprised £6m cash and 1,157,481 Abcam plc ordinary shares of 0.2 pence each with a fair value of £4m being derived from the rolling 25 day average price of 345.58 pence per share terminating three trading days prior to completion.

Ascent, a UK-based company, focuses on building a range of high quality biochemicals for use by scientific researchers for modulating the function of proteins. The acquisition further extends the Group's product portfolio and is in line with the strategy of becoming the world's leading life science reagents company.

The table below summarises the consideration paid for Ascent as well as the amounts recognised at the acquisition date of the assets acquired and liabilities assumed.

Under IFRS 3 (revised) Abcam has a period of twelve months to finalise the provisional fair values of the assets and liabilities acquired.

Provisional fair value
£000

Recognised amounts of identifiable assets acquired and liabilities assumed

Non-current assets

Intangible assets	2,241
Property, plant and equipment	136

Current assets

Inventories	511
Trade and other receivables	263
Cash and cash equivalents	199

Current liabilities

Trade and other payables	(189)
Current tax liabilities	(44)
Borrowings	(14)

Non-current liabilities

Borrowings	(86)
Deferred tax liability	(606)

Total identifiable net assets **2,411**

Goodwill 7,589

Total consideration **10,000**

Settled by:

Cash	6,000
Equity instruments (1,157,481 ordinary shares of Abcam plc)	4,000

Total consideration transferred **10,000**

Net cash outflow arising on acquisition

Cash consideration	6,000
Less: cash and cash equivalent balances acquired, net of borrowings	(99)

5,901

The goodwill of £7,589,000 arising from the acquisition represents the acquired product pipeline opportunities, a highly knowledgeable workforce and the going concern value to perpetuity relating to the identified intangible assets with assumed finite useful lives. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs totalling £146,000 are included within administrative expenses in the consolidated income statement for the year ended 30 June 2012. No further acquisition-related costs have been incurred since the balance sheet date.

The fair value of trade and other receivables is £263,000 which includes trade receivables with a fair value of £131,000 and a gross contractual value of £168,000, of which £37,000 is expected to be uncollectable.

During the period from the date of acquisition to the balance sheet date, Ascent contributed £1,373,000 to the Group's revenue from sales to third parties and a profit of £18,000 to the Group's profit before tax, after amortisation of intangibles of £360,000.

If Ascent had been consolidated from 1 July 2011, Group revenues for the period would have been £98,127,000 and Group profit before tax would have been £34,573,000 after amortisation of intangibles of £1,047,000.

Epitomics Inc

On 19 April 2012, the Company acquired 100% of the issued share capital of Epitomics Inc for total consideration of US\$170.0m (£108.9m). Total consideration comprised US\$92.5m (£57.5m) cash and 14,498,923 Abcam plc ordinary shares of 0.2 pence with a value of US\$77.5m based upon the average of the high and low trading prices of Abcam ordinary shares on the Alternative Investment Market of the London Stock Exchange for the five trading days ending on 2 March 2012, being the date of execution of the Merger Agreement and a fair value of £51.4m based on the closing share price on the date of acquisition in accordance with IFRS 3.

Epitomics Inc based in the USA, with operations in China, is focused on the development, production and distribution of monoclonal antibodies (RabMAbs®). It has three core business units: reagents (antibodies), custom antibodies and in vitro diagnostics immunohistochemistry (IVD IHC). The reagents (antibodies) business unit develops and distributes RabMAbs® for academic and pharmaceutical research applications. The custom antibodies business unit develops RabMAbs® to address customers' specific needs where catalogue antibodies are not suitable and provides solutions for research and diagnostic applications. The IVD business unit provides RabMAbs® primarily for clinical diagnosis and prognosis of certain cancers including colon, prostate, ovarian and lymphoma. Additionally, Epitomics generates income from certain royalty payments and licence deals that it has with life science tools companies that pay to utilise aspects of Epitomics's patented RabMAb® technology in the development and manufacture of their own antibodies.

Epitomics represents a highly compelling strategic fit for the Group and supports the Company's vision of becoming the world's leading life science reagents company. The acquisition provides the Group with extensive know-how in RabMAb® technology and will help to diversify the Group's product offering and customer base. Epitomics also provides the Group with a custom antibody service offering and a high quality entry-point to the IVD IHC market. The Group intends to leverage its existing customer base and strong global marketing and distribution expertise with Epitomics's RabMAb® products, technology and product pipeline.

The table below summarises the consideration paid for Epitomics Inc as well as the amounts recognised at the acquisition date of the assets acquired and liabilities assumed.

Under IFRS 3 (revised) Abcam has a period of twelve months to finalise the provisional fair values of the assets and liabilities acquired.

Recognised amounts of identifiable assets acquired and liabilities assumed

Non-current assets

Intangible assets	30,184
Property, plant and equipment	2,532
Deferred tax asset	1,023

Current assets

Available-for-sale investment	662
Inventories	2,109
Trade and other receivables	3,230
Current tax prepaid	502
Cash and cash equivalents	7,800
Term deposits	4,647
Deferred tax asset	683

Current liabilities

Trade and other payables	(4,843)
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Non-current liabilities

Deferred tax liability	(12,065)
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Total identifiable net assets	36,464
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Goodwill	72,478
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Total consideration	108,942
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Settled by:

Cash	57,507
Equity instruments (14,498,923 ordinary shares of Abcam plc)	51,435

Total consideration transferred	108,942
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Net cash outflow arising on acquisition

Cash consideration	57,507
Less: cash and cash equivalent balances and term deposits acquired	(12,447)

45,060

The goodwill of £72,478,000 arising from the acquisition represents the acquired product pipeline opportunities, a highly knowledgeable workforce and the going concern value to perpetuity relating to the identified intangible assets with assumed finite useful lives. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs totalling £3,213,000 are included within administrative expenses in the consolidated income statement for the year ended 30 June 2012. No further acquisition-related costs have been incurred since the balance sheet date.

The fair value of trade and other receivables is £3,230,000 which includes trade receivables with a fair value of £2,176,000 and a gross contractual value of £2,245,000, of which £69,000 is expected to be uncollectable.

During the period from the date of acquisition to the balance sheet date, Epitomics contributed £3,246,000 to the Group's revenue from sales to third parties and a profit of £496,000 to the Group's profit before tax, after amortisation of intangibles of £476,000.

If Epitomics had been consolidated from 1 July 2011, Group revenues for the period would have been £110,468,000 and Group profit before tax would have been £34,584,000, after amortisation of intangibles of £3,356,000.

Details of prior year acquisition

On 23 May 2011, the Company acquired 100% of the issued share capital of MitoSciences Inc for total consideration of US\$6.0m (£3.7m). Total consideration comprised US\$4.2m (£2.6m) cash and 279,521 Abcam plc ordinary shares of 0.2 pence with a fair value of US\$1.8m (£1.1m) based on the rolling five day average price of 397.1 pence per share terminating three days prior to completion. At the balance sheet date a further \$0.06m (£0.04m) cash consideration had been recognised as a result of adjustments made following the post-acquisition completion review.

MitoSciences Inc, based in the USA, is recognised as one of the leading providers of mitochondrial research tools focusing on areas of metabolism and apoptosis. The acquisition supports the Group's strategy of becoming the world's leading life science reagents company and will serve to enhance the exceptional range of such products available to new and existing customers. The combined entity is a market leader in mitochondrial research and the acquisition has extended the Group's manufacturing and product development capability, particularly in the area of assay development.

The table below summarises the consideration paid for MitoSciences Inc as well as the amounts recognised at the acquisition date of the assets acquired and liabilities assumed. In accordance with IFRS 3 (revised), the Company has considered all pertinent factors in relation to information obtained after the acquisition date which would affect the provisional values reported. During the permitted measurement period of one year from the acquisition date, adjustments have been made to the provisional values and these are summarised in the table below:

	Provisional values reported £000	Fair value adjustments £000	Final values £000
Recognised amounts of identifiable assets acquired and liabilities assumed			
Non-current assets			
Intangible assets	1,668	—	1,668
Property, plant and equipment	146	2	148
Current assets			
Inventories	235	(11)	224
Trade and other receivables	194	—	194
Cash and cash equivalents	122	—	122
Deferred tax asset	9	—	9
Current liabilities			
Trade and other payables	(211)	15	(196)
Current tax liabilities	(74)	—	(74)
Non-current liabilities			
Deferred tax liability	(433)	(233)	(666)
Total identifiable net assets	1,656	(227)	1,429
Goodwill	2,062	227	2,289
Total consideration	3,718	—	3,718
Settled by:			
Cash	2,570	—	2,570
Deferred cash consideration	38	—	38
Equity instruments (279,521 ordinary shares of Abcam plc)	1,110	—	1,110
Total consideration transferred	3,718	—	3,718
Net cash outflow arising on acquisition			
Cash consideration	2,570	—	2,570
Less: cash and cash equivalent balances acquired	(122)	—	(122)
	2,448	—	2,448

The revised goodwill of £2,289,000 arising from the acquisition represents the acquired product pipeline opportunities, expanded customer base and a highly knowledgeable workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs totalling £202,000 are included within administrative expenses in the consolidated income statement for the year ended 30 June 2011. Further acquisition-related costs of £38,000 have been incurred in the year ended 30 June 2012.

The fair value of trade and other receivables is £194,000 which includes trade receivables with a fair value of £190,000 and a gross contractual value of £203,000 of which £13,000 is expected to be uncollectable.

During the period from the date of acquisition to 30 June 2011, MitoSciences Inc contributed £162,000 to the Group's revenue from sales to third parties and £31,000 to the Group's profit before tax.

If MitoSciences Inc had been consolidated from 1 July 2010, Group revenues for the year ended 30 June 2011 would have been £84,758,000 and Group profit before tax £32,048,000, after amortisation of intangibles.

33. Note to the cash flow statement

	Group		Company	
	30 June 2012 £000	30 June 2011 £000	30 June 2012 £000	30 June 2011 £000
Operating profit for the year	34,235	31,713	29,275	28,355
Adjustments for:				
Depreciation of property, plant and equipment	1,474	1,380	1,064	1,189
Loss on disposal of property, plant and equipment	—	8	—	—
Amortisation of intangible assets	1,244	210	312	197
Impairment losses on intangible assets	—	38	—	38
Decrease in provisions	5	25	5	25
Change in fair value of derivatives outstanding at year end	(210)	(74)	(210)	(74)
Share-based payments charge	1,556	1,146	1,381	1,026
Operating cash flows before movements in working capital	38,304	34,446	31,827	30,756
Increase in inventories	(2,048)	(1,388)	(3,066)	(1,432)
Increase in receivables	(736)	(1,628)	(413)	(1,181)
(Decrease)/increase in payables	(2,966)	1,423	5,389	1,394
Cash generated by operations	32,554	32,853	33,737	29,537
Income taxes paid	(8,017)	(7,370)	(6,577)	(6,044)
Finance costs paid	(73)	—	(117)	—
Net cash inflow from operating activities	24,464	25,483	27,043	23,493

34. 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 EMI scheme, Unapproved Share Option Plan, the Abcam Inc share scheme, the Abcam 2005 share option scheme, the SAYE scheme, the Abcam Company Share Option Plan (CSOP), the LTIP and the SIP. Option grants under each scheme have been aggregated.

The vesting period for grants under the SAYE scheme is either three years or five years, as selected by the employee at the date of grant. Those options with performance criteria vest when the criteria are met. The vesting period for all other options is from one to three 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 volatility of the options is based on the long-term average volatility in the share price of five quoted companies that are considered to have a reasonable comparability with Abcam plc. The dividend yield is based on Abcam'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 and, in accordance with IFRS 2, is applied after vesting.

The Group recorded a total share-based payments expense of £1,556,000 in the year (2011: £1,146,000), of which £1,370,000 (2011: £985,000) was included within administration and management expenses and £186,000 (2011: £161,000) was included within R&D expenses.

Summary of all schemes, excluding SIP and LTIP

Options outstanding as at 30 June 2012 had an exercise price of between 5 pence and 370 pence (2011: 5 pence and 345 pence). The weighted average remaining contractual life is 6.69 years (2011: 7.08 years). The weighted average fair value of the options outstanding at the end of the year was 57.18 pence (2011: 41.28 pence). The Group recorded a total share-based payments expense of £310,000 (2011: £252,000) in the year relating to all schemes excluding the SIP and LTIP.

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	3,019,754	126.16	4,319,510	83.11
Granted during year	467,400	370.00	386,849	345.00
Forfeited during year	(194,019)	237.63	(130,605)	164.35
Exercised during year	(675,053)	79.97	(1,556,000)	57.51
Outstanding at the end of year	2,618,082	173.35	3,019,754	126.16
Exercisable at end of year	1,323,857	63.09	1,274,530	57.46

Enterprise Management Incentive (EMI) scheme

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	489,425	56.33	1,420,840	55.30
Forfeited during year	—	—	—	—
Exercised during year	(129,438)	53.66	(931,415)	54.77
Outstanding at the end of year	359,987	57.29	489,425	56.33
Exercisable at end of year	359,987	57.29	489,425	56.33

The Group has exceeded the limits set by HMRC for new option grants under the EMI scheme, under which no further grants can subsequently be made.

Unapproved Share Option Plan

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	758,705	58.02	909,705	53.25
Exercised during year	(12,555)	62.40	(151,000)	62.40
Outstanding at the end of year	746,150	57.95	758,705	58.02
Exercisable at end of year	746,150	57.95	758,705	58.02

Further grants of unapproved options are now being made under the Abcam 2005 Share Option Scheme.

Abcam Inc share scheme

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	26,400	62.40	435,620	64.28
Forfeited during year	—	—	—	—
Exercised during year	(26,400)	62.40	(409,220)	63.17
Outstanding at the end of year	—	—	26,400	62.40
Exercisable at end of year	—	—	26,400	62.40

Further grants of options to Abcam's US employees are now being made under the Abcam 2005 Share Option Scheme.

SAYE scheme

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	58,640	46.87	123,005	48.40
Forfeited during year	—	—	—	—
Exercised during year	(47,845)	46.21	(64,365)	49.80
Outstanding at the end of year	10,795	49.80	58,640	46.87
Exercisable at end of year	10,795	49.80	—	—

The Abcam 2005 Share Option scheme

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	1,150,248	155.59	1,049,615	118.30
Granted during year	319,345	370.00	202,823	345.00
Forfeited during year	(168,105)	237.65	(102,190)	148.46
Exercised during year	(458,815)	92.40	—	—
Outstanding at the end of year	842,673	254.88	1,150,248	155.59
Exercisable at end of year	206,925	92.40	—	—

The Abcam CSOP

	2012		2011	
	Number of share options	Weighted average exercise price pence	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	536,336	234.98	380,725	180.80
Granted during year	148,055	370.00	184,026	345.00
Forfeited during year	(25,914)	237.52	(28,415)	221.48
Outstanding at the end of year	658,477	265.24	536,336	234.98
Exercisable at end of year	—	—	—	—

Fair value calculation

The fair value of the option schemes, other than those options with market-based performance criteria, has been calculated using the trinomial method. The inputs into the trinomial model are as follows:

EMI scheme

Grant date	16 June 2003	16 June 2003	5 July 2004	17 December 2004	27 May 2005	5 September 2005
Share price at grant (pence)*	2	2	5	6	12.5	12.5
Fair value at valuation date (pence)*	0.52	0.52	1.70	2.46	3.84	3.82
Exercise price (pence)*	5	7.5	5	5	12.5	12.5
Expected volatility	40%	40%	35%	35%	30%	30%
Expected life (years)	3	3.08	2	2.88	2	2
Expected dividend yield	1.1	1.1	1.1	1.1	1.1	1.1
Risk-free rate	3.97%	3.97%	5.08%	4.49%	4.31%	4.15%
Employee exercise multiple	2	2	2	2	2	2
Employee exit rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Unapproved Share Option Plan

Grant date	20 December 2004	20 December 2004	30 September 2005	30 September 2005	27 October 2005
Share price at grant (pence)*	6	6	12.5	12.5	33.4
Fair value at valuation date (pence)*	2.24	2.32	3.78	2.04	11.15
Exercise price (pence)*	5	5	12.5	25	30
Expected volatility	35%	35%	30%	30%	30%
Expected life (years)	1.54	2	1.82	1.82	1.635
Expected dividend yield	1.1	1.1	1.1	1.1	1.1
Risk-free rate	4.46%	4.46%	4.29%	4.29%	4.40%
Employee exercise multiple	2	2	2	2	2
Employee exit rate	10.00%	10.00%	10.00%	10.00%	10.00%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

SAYE scheme

Grant date	2 October 2006	2 October 2006	8 November 2007	8 November 2007
Share price at grant (pence)*	56	56	62.4	62.4
Fair value at valuation date (pence)*	20.8	22.6	21.2	24.4
Exercise price (pence)*	44.8	44.8	49.8	49.8
Expected volatility	30%	30%	30%	30%
Expected life (years)	3	5	3	5
Expected dividend yield	1.1%	1.1%	1.5%	1.5%
Risk-free rate	4.54%	4.54%	4.80%	4.80%
Employee exercise multiple	2	2	2	2
Employee exit rate	10.00%	10.00%	12.00%	12.00%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

The Abcam 2005 Share Option Scheme

The fair value of options issued after September 2006 with market-based performance criteria is calculated using the Monte Carlo model. The inputs into the Monte Carlo model are as follows:

Grant date	7 September 2006	8 November 2007	7 May 2008	6 November 2008	9 November 2009	2 December 2010	1 November 2011
Share price at grant (pence)*	56	62.4	82.6	92.5	180.8	373	370
Fair value at valuation date (pence)*	16.8	17.8	24.6	23	57.6	138	119
Exercise price (pence)*	56	62.4	82.6	92.4	180.8	345	370
Expected volatility	30%	30%	30%	24%	34%	37%	39%
Expected life (years)	3	3.01	3	3	6	6	6
Expected dividend yield	1.1%	1.5%	1.5%	0.87%	1.24%	0.62%	1.42%
Risk free rate	4.57%	4.80%	4.79%	3.90%	3.21%	2.56%	1.50%
Employee exercise multiple	2	2	2	2	2	2	2
Employee exit rate	9.53%	12.00%	12.00%	0.00%	0.00%	0.00%	0.00%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

SIP

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 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 £3,000 of shares (Free Shares). 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	
	2012	2011	2012	2011
Outstanding at beginning of year	486,923	418,015	102,696	86,910
Granted during year	133,837	113,598	38,514	29,494
Forfeited during year	(27,624)	(40,717)	(5,862)	(13,595)
Released during year	(52,806)	(3,973)	(4,599)	(113)
Outstanding at the end of year	540,330	486,923	130,749	102,696
Exercisable at end of year	163,930	—	30,650	—

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 £404,000 (2011: £264,000) in the year related to Matching and Free Share awards.

LTIP

The Company approved a new LTIP in 2008. To date, vesting of performance share awards made under this scheme to the executive management team have been conditional upon achievement of two separate performance conditions. Full details of these performance conditions are shown in the Directors' Remuneration Report. In 2010, LTIP awards were also made to members of senior management, in addition to the executive management team. Vesting of awards made in 2010 to senior management were conditional on market-based performance criteria and calculated using the Monte Carlo model. Vesting criteria for awards made to senior management from 2011 onwards are aligned with those awarded to the executive management team. The awards made on 9 February 2012 were to senior management and based on specific operating performance conditions over a vesting period of two years. Awards made in 2008 were nil cost options which vest, subject to achievement of the relevant performance conditions, after three years, and can be exercised over the following seven years. All other awards made under this scheme are conditional share awards with a fixed term of three 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:

	LTIP awards 2012	LTIP awards 2011
Outstanding at beginning of year	1,612,737	1,285,095
Granted during year	342,688	327,642
Forfeited during year	(38,269)	—
Exercised during the year	(30,000)	—
Outstanding at the end of the year	1,887,156	1,612,737
Exercisable at end of year	739,747	—

Of the performance share awards granted during the year, 321,888 awards were made on 1 November 2011 and 20,800 awards on 9 February 2012 (2011: 2 December 2010). The aggregate of the fair values of the awards made on 1 November 2011 is £958,000 and on 9 February 2012 £67,000, totalling £1,025,000 (2011: £1,009,000).

The estimated fair values of the awards are calculated using the Monte Carlo model, with the Black Scholes model used to calculate those with a performance condition based on EPS. The inputs into the models for awards granted are as follows:

Grant date	6 and 17 November 2008	9 November 2009*	9 November 2009	2 December 2010	1 November 2011	9 February 2012
Weighted average exercise price (pence)	—	—	—	—	—	—
Expected volatility	24%	34%	34%	37%	39%	38%
Expected life	3 years	4 years	3 years	3 years	3 years	1.6 years
Expected dividend yield	0.87%	1.24%	1.24%	0.62%	1.42%	1.58%
Risk-free rate	3.41%	2.52%	2.03%	1.36%	1.50%	0.39%

* Awards made to senior management based on market-based performance criteria only.

The Group recognised a total expense of £842,000 (2011: £630,000) in the year related to performance share awards under the LTIP.

35. Retirement benefit schemes

Defined contribution schemes

The UK-based employees of the Company 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.

The 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. 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.

The total cost charged to the income statement in respect of these schemes during the year ended 30 June 2012 was £949,000 (2011: £1,132,000). As at 30 June 2012 contributions of £74,000 (2011: £76,000) due in respect of the current reporting period had not been paid over to the schemes.

36. Related party transactions

Remuneration of key personnel

The remuneration of the EMT, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report.

Group and Company

	30 June 2012 £000	30 June 2011 £000
Short-term employee benefits and fees	1,842	1,844
Share-based payments charge	848	614
	2,690	2,458

Directors' transactions

Under a new product development agreement with a laboratory associated with Tony Kouzarides (a Non-Executive Director of the Company), Abcam provided products from its catalogue free of charge, with a resale value of £30,363 (2011: £20,394) and paid £77,455 in royalties (2011: £63,101). £14,074 relating to these royalties was outstanding at the year end (2011: £12,648).

Dividends totalling £1,738,171 were paid in the year in respect of ordinary shares held by the Company's Executive and Non-Executive Directors.

Company transactions with its subsidiaries

The Company provided goods for resale to, received dividends from, and was charged management fees by its subsidiaries in the current and prior years as summarised in the following table:

	30 June 2012 £000	30 June 2011 £000
Sales of goods	47,472	38,880
Purchase of goods	(3,326)	(101)
Dividends received	2,323	2,132
Management fees charged	(1,167)	(1,008)
	45,302	39,903

Amounts remaining outstanding at the year end can be seen in the Company Balance Sheet.