

12 September 2016

ABCAM PLC
Strong revenue performance enabling investment for future growth

Abcam plc ("Abcam" or "the Company", AIM: ABC), a global leader in the supply of life science research tools, is pleased to announce its preliminary results for the year ended 30 June 2016 ^[1].

FINANCIAL HIGHLIGHTS

- Catalogue revenue increased by 17.4% on a reported basis to £159.0m (FY 2015: £135.4m). On a constant exchange rate (CER)* basis the increase was 14.4%
- Total revenue increased on a reported basis by 19.2% to £171.7m (FY 2015: £144.0m). On a CER basis the increase was 15.9%
- Slight reduction in gross margin at 70.2% due to exchange rates (FY 2015: 70.5%)
- Reported EBITDA margin was 33.6% (FY 2015: 37.3%. Adjusted EBITDA margin** was 34.9% (FY 2015: 37.6%), the movement in which reflects the expected operational investment in Firefly and AxioMx and the impact of foreign exchange rate movements
- Reported diluted earnings per share (EPS) was 18.53 pence (FY 2015: 18.57 pence), reflecting previously announced investment in systems and processes and acquisition and integration costs. Adjusted EPS** increased by 13.1% to 22.35 pence (FY 2015: 19.76 pence)
- Closing cash and term deposits were £70.7m (30 June 2015: £58.7m)
- Proposed full year dividend increased by 8.5% to 8.91 pence per share (FY 2015: 8.21 pence)

OPERATIONAL HIGHLIGHTS

- RabMAb® primary antibody and non-primary antibody revenues grew on a CER basis by 29.5% and 30.3% respectively, demonstrating progress in executing our strategy, delivering at the top end of our key performance indicator (KPI) targets
- Acquisition of AxioMx completed and integration of its technology platform progressing well
- Introduced direct service in Singapore to provide technical support and customer services, expanding the Group's presence in the Asia Pacific region
- Signed a licence and supply agreement with Horizon Discovery Group plc for knockout cell lines, raising antibody validation standards to improve quality for researchers
- Expanded existing facility in Boston, USA, with new laboratory space and relocated and integrated the Firefly team
- Relocated the Hangzhou team to a new production facility to increase handling capacity
- Our step change investment in systems and processes to scale the business for future sustained growth is underway

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

"We continue to move toward our ambition of becoming the most influential life sciences company for researchers worldwide. It has been a significant year for Abcam where we have delivered two times or better market growth in every geography and product category in which we operate. We see further opportunities for growth and we are investing in the long term future of the Company."

* CER calculated assuming that exchange rates for the currencies in which the Group trades had remained unchanged from FY 2015

** Excluding acquisition costs, acquisition integration costs, the initial incremental costs associated with the investment in systems and processes and prior year R&D tax credits. In the case of diluted earnings per share also excluding acquisition related amortisation, the expense related to the unwinding of the discount applied on deferred consideration for AxioMx and the associated tax effects of adjusting items. See the section below headed Our Financials for more detail.

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

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About Abcam plc

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

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

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

Abcam's twelve locations are located in the world's leading life science research hubs, enabling local services and multi-language support. Founded in 1998 and headquartered in Cambridge, UK, the Company sells to more than 100 countries. Abcam was admitted to AIM in 2005 (AIM: ABC).

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

Forward looking statement

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CHAIRMAN'S INTRODUCTION

Abcam has reported another year of strong revenue growth and the Board believes the Group is well positioned to continue delivering sustainable returns as it continues to invest to support the next chapter of growth.

Reflecting on the performance over the year, I am delighted to say that the business has performed very well, meeting both its strategic and financial objectives.

Strategic execution

Over the past three years we have been reshaping our business and believe the results we report this year show that our strategic direction is the right one. We have grown in all of our geographic regions and product categories, whilst continuing progress against each of our strategic goals.

Abcam is a rapidly growing organisation which places new demands on our existing systems and processes. We are investing in new capabilities in order to support continued growth and realise the opportunities in the markets in which we operate. In particular, we are investing in scalable and flexible IT systems and have chosen a cloud-based enterprise resource planning (ERP) platform, as well as a primary implementation partner.

We believe our strategy is strengthening Abcam's position at the heart of life science research worldwide. We expect to continue to grow organically and, where we see technologies and businesses that fit our business model, through partnering and acquisition. Our recent acquisition of AxioMx is a good example of where we identified a company with a new technology that potentially allows us to add further value to the research, diagnostic and therapeutic communities. This technology has the potential to produce highly validated recombinant monoclonal antibodies within weeks - a significantly shorter timeframe than is possible with current *in vivo* technology. The Board is pleased with the progress being made and the first AxioMx products are already on Abcam's catalogue.

Our strategy is designed to increase revenue growth and improve the long-term financial performance of the business, in support of our ambition to become the most influential life sciences company supporting researchers. Each year we set ourselves challenging targets and, once again, we have achieved results at the top end of these targets.

Dividend

The Board is proposing a final dividend of 6.556 pence per share (FY 2015: 5.92 pence per share). Added to the interim dividend of 2.354 pence per share, this brings the total dividend for the financial year ended 30 June 2016 to 8.91 pence per share, representing an increase of 8.5% growth over the previous year. The dividend will be paid on 2 December 2016 to shareholders on the register on 11 November 2016. The associated ex-dividend date is 10 November 2016.

Governance

Achieving high standards of governance is fundamental to the successful growth of our business. The establishment of a Company Secretariat has enabled additional focus to be given to corporate governance. Even though it is not a requirement for an AIM-listed company, we continue to comply in all material respects with the UK Corporate Governance Code (Code).

As a Board, we have focused on enhancing our effectiveness and implementing the new requirements of the 2014 edition of the Code, which apply to us for the first time this year. These include defining our risk appetite and conducting a broader risk assessment in the context of assessing our longer-term financial viability.

We regularly review ways to improve the effectiveness of the Board and its Committees and a thorough and detailed internal evaluation was undertaken this year.

Strong leadership and dedicated employees

Our Company has grown significantly over recent years and now employs over 900 people in twelve locations. During the year we have made key appointments across the business to broaden our product development and digital marketing expertise. We also expanded our legal and diagnostics teams, and appointed a global head of HR to ensure that we continue to attract and retain the best talent worldwide.

Our Board has also been strengthened with the addition of Mara Aspinall, who joined us in September 2015 as a Non-Executive Director, and she has already made significant contributions to the business.

During the course of the year our Chief Operating Officer (COO), Jim Warwick, and our Chief Financial Officer (CFO), Jeff Iliffe, announced their intention to leave Abcam and step down from the Board. Both have played a huge role in the Company's success, with Jim being an integral part of the business for more than 15 years and Jeff similarly since being appointed CFO in 2007. I would like to thank them for all their hard work during their time at Abcam and their continued dedication to the business through an efficient transition. Jeff has ensured an orderly handover to Gavin Wood, who joined Abcam as CFO-elect on 18 July 2016, and will become CFO on 12 September. Jim is remaining with Abcam until the end of 2016 to ensure that the initial build and design phase of our new ERP programme is completed.

In August 2016, Anthony Martin and Michael Ross advised the Board of their intention not to seek re-election as Directors at the forthcoming AGM. I would like to thank them both for the significant roles they have played during their service on the Board of Abcam. Their insight and support have been extremely valuable and we wish them well in their future endeavours.

The successful transformation of our business to date is a result of the hard work, enthusiasm and dedication of all of our employees. My thanks to them and to our shareholders, who have continued to support the business through a period of investment and growth.

I would also like to thank my Board colleagues for their guidance and oversight of the business and the Executive Leadership Team for continuing to deliver strong business performance while successfully executing on the strategic priorities.

Creating future sources of value

We listen to our consumers and focus on identifying the biological pathways and targets of greatest interest to them, whilst working to ensure our products are of the highest quality, accompanied by relevant supporting data. This approach has resulted in Abcam remaining the leading primary antibody supplier to the life science research market. Favourable macroeconomic trends and our investment strategy combine to support the growth of our innovative products. While operating in a competitive marketplace, comprised of both private and public companies, we continue to gain market share.

We are making good progress against long term strategic priorities and growth objectives. We have a strong history of growth through acquisition and our most recent company acquisitions, Firefly BioWorks and AxioMx, whilst still in an investment stage, are beginning to deliver results. We will continue our programme of investment in our systems and processes, as well as in our facilities, to ensure that we have the infrastructure to support the growth of the business and we are confident that we can continue to build significant value for all of our stakeholders.

Murray Hennessy
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW: HOW WE DELIVERED VALUE THIS YEAR

We are building Abcam for success in the life science market of today and tomorrow by creating a scalable platform that will enable us to continue to grow over the long term.

The Company has transitioned from being a small high growth company to being a significant player in our core markets, with future expansion potential through targeted investment. Abcam is the market leader in primary antibodies for use in research. It is our goal to continue to grow the Company and create value for all of our stakeholders. We have a strong track record of delivering on our promises and we will continue to focus on understanding our customers, delivering high quality products, and being the innovation partner of choice for the researchers we serve globally.

A clear direction

In 2014 we laid out the strategy that has subsequently seen Abcam become increasingly successful, bearing testament to the hard work of all our employees across the Company. Each year we set ourselves challenging goals and I am pleased to say that in FY 2016 the achievement against our KPI targets was at the top end of the target range, or above, in each category.

Strategic KPI	FY 2016 target	FY 2016 performance	Importance
Growth in constant currency revenue from RabMAb® primary antibody range	15%–20%	29.5%	Abcam is the leading supplier of recombinant monoclonal antibodies. RabMAb® primary antibodies are increasing their market share and are valuable tools for life science researchers, who are looking for more specific and sensitive antibodies that give repeatable results. With almost 9,000 RabMAb® primary antibodies in our catalogue, we expect them to continue to play an important part in our growth.
Growth in constant currency revenue from non-primary antibody products	25%–30%	30.3%	Driving growth by expanding into new areas is a focus for our business. Non-primary antibody products now comprise over 18% of our total revenue.
Net Promoter Score (NPS)	22%–28%	26%	The NPS measures how our consumers perceive our brand.
#1 market position in primary antibodies Gain market share in at least two other product categories		#1 primary antibodies Gained market share across all other categories	Market research has confirmed that we remain the #1 brand for research antibodies and we continue to gain market share across all other categories.

Our strategic priorities

Our strategy is designed to generate sustainable sales and earnings growth and improved returns to shareholders.

We have five strategic priorities:

- to grow our core reagents business faster than the market;
- establish new growth platforms;
- scale organisation capabilities;
- sustain attractive economics; and
- selectively pursue partnerships and acquisitions.

Innovation and future growth

We continue to focus on our broad portfolio of tools to enable research into the role of signalling and regulatory molecules and proteins in biological pathways.

We analyse data and research trends to develop products that fit the requirements of our consumers. We package these products in a format that suits their needs, making it easier and faster for them to complete their work. This approach is driving new product sales.

Our proprietary, high quality RabMAb[®] technology continues to be an important differentiator for the business. We increased our ranges of RabMAb[®] antibodies and SimpleStep ELISA[®] assay kits which contain RabMAb[®] antibodies.

During the year we also launched a suite of matched antibody pairs in a standalone format. These products provide greater flexibility to researchers and allow cost-effective drug discovery.

Expanding the global reach of our products is fundamental to our organic growth plans. In addition to extending our geographic outreach in China, during the year we have also introduced a direct supply model in Singapore.

The diagnostics market is an area where we see an opportunity for expansion and is one where we have seen success. Abcam's work with global pharmaceutical and diagnostic companies to develop and produce companion diagnostic antibodies to targets such as PD-L1, is a prime example.

PD-L1 is an important target in difficult to treat cancers such as melanoma and lung cancer and Abcam's RabMAb[®] technology has played a key role in helping diagnostic companies to offer specific diagnostic antibodies targeting PD-L1 to the clinic. Abcam worked on several bespoke projects in partnership with large pharmaceutical companies to develop highly specific RabMAb[®] antibodies to the target. In addition to these clinical uses, PD-L1 RabMAb[®] product (clone 28-8) is now also available on our website for research use and in its first year has become one of the most cited antibodies of its type.

Creating value through acquisition and partnering

Abcam has a strong track record of delivering growth through acquisition and partnership deals. The Company actively seeks to partner with entities that offer complementary products or capabilities in the life science market.

We have clear criteria when considering opportunities. In addition to being able to generate an appropriate return on investment for our shareholders, we look for new innovative growth platforms and/or new expertise that we can leverage.

The acquisitions of MitoSciences and Epitomics gave us an enhanced immunoassay portfolio and intellectual property for RabMAb® production capacity respectively, both of which have made significant contributions to Abcam's growth.

Our more recent acquisitions, whilst both still in an investment stage, are already beginning to deliver results. We acquired Firefly BioWorks in January 2015 and, later that year, launched microRNA (miRNA) assays using the Firefly® technology. These allow measurement of multiple miRNA assays with fewer steps than conventional assays. This technology is starting to deliver, largely through our sample testing services, and is also in use in customers' own laboratories.

We have already seen several publications using the technology, including a paper describing the development of miRNA biomarkers for cardiac toxicity in drug development. We are also developing multiplex immunoassays using the Firefly® technology and are beta testing these products with researchers. The Firefly® multiplex immunoassays, enabling efficient measurement of multiple proteins, will complement our SimpleStep ELISA® and Matched Antibody Pair product lines, which offer rapid testing and a flexible format respectively. Our RabMAb® antibodies are incorporated in all of these products and they are developed at our Eugene, Oregon site, which was added in the MitoSciences acquisition in 2011.

AxiMx, which we acquired in November 2015, offers *in vitro* recombinant monoclonal antibody technology which complements Abcam's existing antibody and immunoassay capabilities by targeting attractive and growing markets that traditional *in vivo* antibody production methods struggle to address. In addition to opening new markets, AxiMx capabilities have the potential to deliver high quality antibodies within weeks, which is significantly faster than is possible using *in vivo* methods. The team has made good progress since the acquisition from both a commercial and technical perspective, with new AxiMx technology-based developments for SimpleStep ELISA® with matched antibody pair and conjugated product lines all being initiated. The plan for additional products focusing on new targets is in progress and the first AxiMx developed products are now on the catalogue.

It is part of our strategy to pursue further acquisitions and collaborations where they will create additional value for the business and our stakeholders.

Investing for the future

Abcam is a rapidly growing organisation and it is important that we have the infrastructure to support this growth both from a systems and processes perspective. Key to this is the implementation of a comprehensive ERP system. During the period, we have gone through an extensive selection process both of the platform and for an implementation partner. We have chosen Oracle Fusion as the core cloud-based ERP software provider and have also appointed our primary implementation partner. The detailed design phase of the project is nearing completion and we have already begun to build certain modules in line with a phased approach to roll-out. We believe the investment will give us multiple advantages, including allowing us to scale the business without increasing the headcount by as much as would otherwise be the case; improving consumer interaction and conversion; better information for decision making; and a significant improvement in integrating and delivering value from any future strategic acquisitions or investments.

Additionally, we have made enhancements to some of our facilities to fit the needs of our growing organisation. We have increased handling capacity through our investment in the relocation of our Hangzhou production facility and have integrated the Firefly team into the same building as our existing facility in Boston, USA.

Our headquarters in Cambridge, UK, are currently spread across three sites. In August 2016, outline planning permission was obtained for a new building on the Cambridge Biomedical Campus, which would enable us to consolidate into a single site, with sufficient space to accommodate our current and future needs.

Markets

The global life science research tools market is estimated to be \$2.7bn and we continue to be the leader in the estimated \$900m primary research antibodies market segment, supported by strong growth in RabMAb® antibodies. We have also been successful in delivering significant revenue growth from our non-antibody products.

The table below shows our revenues from a geographical point of view based on the location of our customers.

	Revenue FY 2016 £000	Revenue FY 2015 £000	Increase in reported revenue	CER growth
The Americas	68,800	58,535	17.5%	10.6%
EMEA	47,686	43,343	10.0%	12.4%
Japan	12,321	11,148	10.5%	7.2%
China	18,844	12,912	45.9%	43.0%
Rest of Asia Pacific	11,310	9,444	19.8%	16.5%
Catalogue revenue	158,961	135,382	17.4%	14.4%
Custom products and licensing¹	12,712	8,651	46.9%	39.2%
Total reported revenue	171,673	144,033	19.2%	15.9%

¹ Custom products and licensing revenues were previously known as non-product revenues but have been re-named to better reflect the nature of this income. This includes revenues from custom services, IVD and licences.

Values and our people

Abcam is a rapidly growing company and key to our success is the quality of our people and the way we conduct our business. Our global headcount has increased to over 900 employees and we have attracted strong talent to the Company and built solid capabilities which are underpinning the long-term growth of the business.

Outlook

To ensure we are able to capitalise fully on the opportunities available to us, we continue to work closely with our consumers and invest in R&D, our employees, our IT and our infrastructure to provide innovative, trusted and improved solutions.

Supported by a clear purpose and strategy we believe that Abcam is well positioned to continue delivering long-term value for our stakeholders.

Alan Hirzel
Chief Executive Officer

OUR STRATEGIC PRIORITIES

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

Our strategic priorities	What we promised for FY 2016	What we achieved	Our next priorities
<p>1. Grow our core reagents business faster than the market</p> <p><i>Our aim is to generate above market revenue growth from our existing consumer base, as well as by attracting new consumers</i></p>	<p>Continue innovating to build portfolios of products around high value targets</p> <p>Make further digital marketing improvements to provide a more personalised consumer experience</p> <p>Continued focus on quality to ensure products are always specific, selective and reproducible in the context for which our consumers use them</p>	<p>Published directly conjugated RabMAb® primary antibodies against high value targets</p> <p>Strong performance across our digital/eCommerce platforms and further investment in our mobile platform, as well as content marketing and marketing automation</p> <p>Delivered improvements to quality by continuing to implement knockout validation of antibodies using knockout cell lines</p>	<p>Continue to drive market share gain for primary antibodies (including rabbit monoclonal antibodies)</p> <p>Retain existing consumers and attract new ones by continuing to improve our digital and offline experiences</p> <p>Continue focus on high quality products which are specific, selective, and reproducible in the context for which our consumers use them</p>
<p>2. Establish new growth platforms</p> <p><i>Our aim is to deliver enhanced value by the addition of attractive new product ranges or services in either the same or adjacent segments and by extending our geographic penetration</i></p>	<p>Continue to strengthen our position in China</p> <p>Build our kits and assays capabilities, leveraging our RabMAb® and Firefly® technologies</p> <p>Continue to increase our share of underpenetrated segments/consumers</p> <p>Increase number of strategically important accounts with eProcurement punch-out capability</p>	<p>Continued to grow the market in China</p> <p>Integration and promotion of new kits and assays products such as Firefly® MiRNA assays</p> <p>Focused on less penetrated, high potential consumer segments</p> <p>Continued to make it easier for organisations to buy from us by increasing the number of accounts with eProcurement punch-out capabilities</p>	<p>Continue to strengthen our position in China</p> <p>Continue to grow our kits and assays business further leveraging our RabMAb® and Firefly® technologies</p> <p>Continue to increase share of unpenetrated segments</p> <p>Grow custom product and licensing</p>
<p>3. Scale organisation capabilities</p> <p><i>Our aim is to attract and retain the best people, empower them to succeed and build the capabilities necessary to deliver our strategy</i></p>	<p>Complete move of Hangzhou production facility</p> <p>Complete outline design and begin planning approval process for new head office in Cambridge, UK</p> <p>Implement improvements to the Boston, USA, office and relocate Firefly® team to integrate them into the same building</p> <p>Complete strategic IT review and begin implementation</p> <p>Roll out long-term leadership and</p>	<p>Relocated the Hangzhou team to a new production facility to increase handling capacity</p> <p>Obtained outline planning permission in August 2016 for a new head office</p> <p>Expanded existing facility in Boston, USA with new laboratory space and relocated and integrated the Firefly team</p> <p>Completed IT review and chose Oracle Fusion as the core software for the enterprise-wide change to our systems and processes. The detailed design phase of the project is nearing completion and we have</p>	<p>Finalise Executive Leadership Team hires and integrate and align teams</p> <p>Implement the Oracle Fusion modules successfully and in accordance with the implementation plan</p> <p>Progress activities to consolidate our Cambridge UK facilities</p>

Our strategic priorities	What we promised for FY 2016	What we achieved	Our next priorities
	<p>development training programme for senior managers</p>	<p>already begun to building certain modules in line with a phased approach to roll-out</p> <p>Appointed new CFO and Global Head of HR</p> <p>New leadership training programme rolled out</p>	
<p>4. Sustain attractive economics</p> <p><i>Our aim is to ensure operational efficiency and cost effectiveness to deliver sustainable, profitable growth</i></p>	<p>Perform a detailed review of the cost base to maximise operational and capital spending efficiency</p> <p>Establish a Singapore office to allow direct sales in this market</p> <p>Review and optimise other global distribution arrangements</p> <p>Enhance business planning and analysis capabilities</p>	<p>Restructuring of finance function to enhance planning capabilities and drive efficiencies</p> <p>Reviewed existing global distribution agreements and introduced direct sales to Singapore</p> <p>Development of plans to transform systems and processes to underpin growth and improve efficiency</p>	<p>Optimise and further improve custom service role and economics</p> <p>Consolidate procurement and identify cost savings</p> <p>Scale-up of AxioMx production</p>
<p>5. Selectively pursue partnerships and acquisitions</p> <p><i>Our aim is to supplement the other components of our strategy by making acquisitions of and working with partners that add to our competitive advantage in the life science market</i></p>	<p>Continue to actively seek out and evaluate new partnerships, acquisitions, collaborations and investment opportunities that support our strategy and leverage our competitive advantage</p> <p>Prepare analysis of markets under-represented in our current business model and establish prioritisation plan for exploiting opportunities identified</p>	<p>Acquisition of AxioMx which has the potential capability to deliver high quality antibodies significantly faster than is possible using <i>in vivo</i> methods</p> <p>Signed a licence and supply agreement with Horizon Discovery Group plc for knockout cell lines</p>	<p>Continue to actively seek out and evaluate new partnerships, acquisitions, collaborations and investment opportunities that support our strategy and leverage our competitive advantage</p>

OUR KPIs

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

RabMAb® primary antibodies CER revenue growth

Strategic alignment: 1, 2, 4, 5

29.5%

FY 2017 target	FY 2016	FY 2016 target	FY 2015	FY 2014	FY 2013
18%–22%	29.5%	15%–20%	24.2%	17.1%	33.5%

How we performed

At a constant exchange rate (CER) growth rate of 29.5%, our RabMAb® revenues have outperformed our high expectations in the year.

Non-primary antibody products CER revenue growth

Strategic alignment: 2, 5

30.3%

FY 2017 target	FY 2016	FY 2016 target	FY 2015	FY 2014	FY 2013
20%–25%	30.3%	25%–30%	28.2%	34.3%	32.4%

How we performed

Led by our kits and assays business, non-primary antibody CER revenue growth was 30.3%, outperforming our high expectations.

Net Promoter Score (NPS)

Strategic alignment: 1, 2

26%

FY 2017 target	FY 2016	FY 2016 target	FY 2015	FY 2014	FY 2013
24%–30%	26%	22%–28%	24%	18%	19%

How we performed

We conducted several formal consumer surveys during the year to determine the likelihood of consumers recommending Abcam's products and services to a colleague. The balance of promoter and detractors is then computed into an NPS using standard industry methods. Our NPS improved by two percentage points to 26%. We have moved from eighth to fifth ranked in market, and remain focused on further advancement.

Market position

Strategic alignment: 1, 2, 5

#1 in primary research antibodies

Ongoing targets:

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

How we performed

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

OUR FINANCIALS

Reported revenues for the year increased by 19.2% to £171.7m. At constant exchange rates (CER) revenue growth was 15.9%, with sales from catalogue products 14.4%. Adjusted profit before tax, which includes the research and development activities of Axiomx, which was acquired during the period, and Firefly BioWorks, acquired in November 2015, increased by 8.5% to £53.8m (FY 2015: £49.6m). The reported profit before tax for the year fell by 1.5% to £45.4m (FY 2015: £46.1m), after costs of the previously announced investment in systems and processes, acquisition-related costs and prior year R&D credits. A reconciliation between these figures is given in the table below.

Revenue growth has continued to benefit from our strategy of supplying high quality products with clear, supporting data to our consumer insight to ensure product relevancy. This has been complemented by further investment to build our capabilities in regional commercial teams, IT and R&D in pursuit of our strategy.

The table below shows a reconciliation to IFRS measures for costs, expenses and profit for the last two years. These have been adjusted to exclude acquisition-related costs arising on the acquisitions of Firefly in FY 2015 and Axiomx in FY 2016, the amortisation of acquisition-related intangible assets across the Group, the incremental costs associated with the improvement of systems and processes and R&D tax credits recognised in FY 2016 relating to prior years.

We believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of the items detailed above on the financial performance of the Company. We believe that this provides valuable additional information and allows for a fuller understanding of performance from year to year.

Adjusted income statement

	FY 2016				FY 2015			
	Adjusted income statement £000	Acquisition-related costs (note 1) £000	Incremental costs associated with the systems and processes improvements £000	R&D tax credit relating to prior year £000	Reported IFRS income statement £000	Adjusted income statement £000	Acquisition-related costs (note 1) £000	Reported IFRS income statement £000
Revenue	171,673	-	-	-	171,673	144,033	—	144,033
Cost of sales	(51,142)	-	-	-	(51,142)	(42,507)	—	(42,507)
Gross profit	120,531	-	-	-	120,531	101,526	—	101,526
Administration and management expenses	(55,231)	(2,206)	(3,955)	-	(61,392)	(44,076)	(1,804)	(45,880)
Research and development expenses	(11,662)	(2,467)	-	1,308	(12,821)	(8,246)	(1,673)	(9,919)
Operating profit	53,638	(4,673)	(3,955)	1,308	46,318	49,204	(3,477)	45,727
Finance income / (expense)	144	(1,050)	-	-	(906)	372	—	372
Profit before tax	53,782	(5,723)	(3,955)	1,308	45,412	49,576	(3,477)	46,099
Taxation	(8,630)	994	791	(1,138)	(7,983)	(9,799)	1,084	(8,715)
Profit after tax	45,152	(4,729)	(3,164)	170	37,429	39,777	(2,393)	37,384
Earnings per share (p)								
Basic	22.45	(2.35)	(1.57)	0.08	18.61	19.89	(1.20)	18.69
Diluted	22.35	(2.34)	(1.56)	0.08	18.53	19.76	(1.19)	18.57

Note 1: Acquisition-related costs comprise costs of acquisition, acquisition-related intangible amortisation, acquisition integration costs, and in FY 2016, for AxioMx, the expense related to the unwinding of the discount applied on the deferred consideration.

Revenue

Reported revenues for the year increased by 19.2% to £171.7m. Overall, Sterling was weaker than last year against the currencies in which the Group trades. Adjusting for this, CER revenue growth was 15.9% (FY 2015: 12.6%).

Gross margins

Reported gross margin was down very slightly to 70.2% (FY 2015: 70.5%) due to exchange rate movements over the period.

Administration and management expenses

As indicated last year, FY 2016 has been a period of continued investment in our capabilities to drive medium and long-term growth and this has increased our cost base.

The adjusted administration and management expenses increased by £11.2m to £55.2m. The notable components of the increase are:

- the reported cost increases owing to the relative weakness of Sterling referred to above, together with net currency losses in the year including from forward selling contracts, contributed a £2.5m increase in reported costs;
- strengthening the commercial teams, with particular focus on under-penetrated consumer segments and local office costs to support geographic expansion, such as in Shanghai and Singapore together added £2.0m;
- IT-related costs to support business expansion added £1.4m; and
- the incremental costs from Firefly and AxioMx added a further £0.9m.

The remainder of the increase principally relates to supporting the growth in activity and the full year effect of costs incurred in FY 2015.

Research and development expenditure

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

The reported level of R&D expenditure increased to £12.8m in FY 2016 from £9.9m in FY 2015. After adjusting for a credit to costs from an R&D tax credit election relating to prior years, and the increase in amortisation charges of acquisition-related intangible assets, the level of R&D in the adjusted income statement grew from £8.2m in FY 2015 to £11.7m in FY 2016.

The main contributor to this £3.5m increase was £2.9m additional investment in the technology of AxioMx (acquired in November 2015), and Firefly BioWorks Inc. (acquired in January 2015). Both of these are relatively early stage businesses with technologies which we believe have the potential to be significant contributors to Abcam's growth in future years. The remaining £0.6m includes an increase in costs of product validation chiefly attributable to investment in enhancing product quality, including in IVD-related and custom service activities.

Investing in systems and processes

The growth which has been delivered in recent years has placed new demands on the organisation, systems and processes that support our business. Consequently, as previously announced, we are investing in building enhanced capabilities and systems to realise the opportunities that we see to grow the business. The

programme involves the deployment of enterprise-wide change to our systems and processes, with Oracle Fusion as the core software, and the reshaping of some of our internal functions.

In FY 2016, we have incurred capital expenditure of £5.5m on the project and incremental revenue costs of £4.0m.

Earnings and tax

The adjusted profit before tax for the year was £53.8m, on which the effective tax rate was 16.0% (FY 2015: £49.6m and 19.8% respectively). The tax charge includes prior year adjustments which reduced the charge for the year by £2.8m and the effective rate by 5.2%.

After taking into account the acquisition-related costs, incremental costs associated with the systems and processes improvements and the treatment of prior year R&D tax credits, the reported effective tax rate would be 17.6% (FY 2015: 18.9%).

Balance sheet

Goodwill and other intangibles

Goodwill at the year-end was £112.5m (FY 2015: £85.2m after restatement following the finalisation of fair values of assets arising on the acquisition of Firefly). Of the increase, £11.8m arose on the acquisition of AxioMx and £15.4m from exchange rate movements due to the US Dollar being the predominant functional currency of the acquired companies to which the goodwill relates.

The acquisition of AxioMx did not give rise to an additional cash-generating unit (CGU) as acquired businesses are integrated into the Group operations and product portfolio. The goodwill resulting from the acquisition has been allocated to the CGU for the existing Abcam business. Goodwill is not amortised under IFRS but is subject to impairment review at least on an annual basis. Consequently, during the year, the Directors performed a 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 12 to the financial statements.

Other intangible assets at 30 June 2016 were £70.2m (FY 2015: £44.8m). The increase primarily reflects the value attributed to patents, technology and know-how held by AxioMx and exchange rate movements arising because the functional currency of the related assets is predominately US Dollars.

The amortisation charge on acquisition-related intangible assets was £3.7m (FY 2015: £3.1m), the increase being partly because the functional currency of those assets is also predominantly US dollar, and from the acquisition of AxioMx during the period. The amortisation charge on the other intangible assets was £3.8m (FY 2015: £2.0m), including £1.3m of accelerated amortisation of existing software which is included within the incremental costs of system and process improvement.

Intangible assets are amortised over their estimated useful lives from the point at which commercial product is available for release to a wide customer base. The amortisation of acquisition-related intangible assets has been added back in arriving at adjusted profit, as outlined above.

The consideration arising on the acquisition of AxioMx includes an element of performance based payments, which are carried on the balance sheet as contingent consideration and fees of £10.9m (30 June 2015: £nil).

Capital expenditure

Property, plant and equipment and intangible assets increased by £10.1m (FY 2015: £7.7m), in addition to the £5.5m arising from the investment in systems and processes referred to above and the acquisition of AxioMx. This includes the relocation of our production facility in Hangzhou, China, to a nearby site, and reflects continued investment in support of our organic growth strategy, to improve product characterisation and drive quality, both of which are long-term growth drivers.

As previously announced, we plan to lease a new purpose-built building on the Biomedical Campus in Cambridge, UK, and the capital expenditure figure in the year also includes £0.6m on the design and plans for this facility.

Cash flow

Our track record of strong cash generation continued in the year and the period ended with an increase in net cash and term deposits of £12.0m to £70.7m (FY 2015: £58.7m) after funding the acquisition of Axiomx for a cash investment of £6.3m and acquisition fees of £0.5m. There was no bank debt (30 June 2015: £nil).

Cash generated by operations was £56.8m (FY 2015: £48.9m), after a working capital outflow of £3.1m (FY 2015: £7.5m) which includes £1.5m paid to settle pre-acquisition liabilities of Axiomx. Also within this figure was a £1.3m reduction in inventories which was achieved as a follow-on to the initiative, which began last year, to more closely align inventory levels to customer demand.

Looking forward

The revenue growth which the business has delivered in recent years is a measure of the continuing success of our strategy, and supports the underpinning capital and operational investments being made in capabilities, systems and process. This investment will provide the appropriate environment for the delivery of our strategy and enable operational efficiencies. We are confident that our strategy will continue to deliver both sustainable growth and value to our stakeholders.

Jeff Iliffe
Chief Financial Officer

Consolidated income statement

For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Revenue	5	171,673	144,033
Cost of sales		(51,142)	(42,507)
Gross profit		120,531	101,526
Administrative and management expenses before system and process improvement costs		(57,437)	(45,880)
System and process improvement costs		(3,955)	—
Administration and management expenses		(61,392)	(45,880)
Research and development expenses	6	(12,821)	(9,919)
Operating profit		46,318	45,727
Finance income	9	146	372
Finance costs	9	(1,052)	—
Profit before tax		45,412	46,099
Taxation	10	(7,983)	(8,715)
Profit for the year attributable to the owners of the parent	6	37,429	37,384
Basic earnings per share (pence)	11	18.61p	18.69p
Diluted earnings per share (pence)	11	18.53p	18.57p

Consolidated statement of comprehensive income

For the year ended 30 June 2016

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Profit for the year	37,429	37,384
Other comprehensive (losses)/gains that may be reclassified to profit or loss in subsequent years		
Movement on cash flow hedges	(10,819)	1,068
Movement on net investment hedge	1,677	—
Exchange differences on translation of foreign operations	23,903	7,583
Tax relating to components of other comprehensive income	1,995	(203)
Other comprehensive income for the year	16,756	8,448
Total comprehensive income for the year	54,185	45,832

Balance sheets

As at 30 June 2016

	Notes	Consolidated		Company	
		30 June 2016 £000	30 June 2015 £000 Restated ¹	30 June 2016 £000	30 June 2015 £000
Non-current assets					
Goodwill	12	112,462	85,200	7,658	7,658
Intangible assets	13	70,208	44,815	8,604	5,381
Property, plant and equipment	14	17,623	12,451	8,866	6,728
Investments	15	—	—	93,961	88,306
Deferred tax asset	16	9,615	5,098	4,192	898
Loan receivable	19	—	—	82,065	60,760
Term deposits		—	1,636	—	1,000
Derivative financial instruments	21	—	224	—	224
		209,908	149,424	205,346	170,955
Current assets					
Inventories	17	19,675	19,803	13,532	17,090
Trade and other receivables	18	28,504	19,727	37,295	21,905
Cash and cash equivalents		68,919	57,059	60,953	49,931
Term deposits		1,748	—	1,000	—
Available-for-sale asset	20	797	678	—	—
Derivative financial instruments	21	11	3,255	11	3,255
		119,654	100,522	112,791	92,181
Total assets		329,562	249,946	318,137	263,136
Current liabilities					
Trade and other payables	22	(20,078)	(15,508)	(38,486)	(18,788)
Current tax liabilities		(1,958)	(4,813)	(498)	(5,987)
Contingent consideration and fees	26	(1,990)	—	—	—
Derivative financial instruments	21	(9,267)	(737)	(9,267)	(737)
Loans payable		—	—	(6,801)	(5,780)
		(33,293)	(21,058)	(55,052)	(31,292)
Net current assets		86,361	79,464	57,739	60,889
Non-current liabilities					
Deferred tax liability	16	(22,938)	(14,779)	(119)	(119)
Contingent consideration and fees	26	(10,910)	—	—	—
Derivative financial instruments	21	(1,231)	(5)	(1,231)	(5)
		(35,079)	(14,784)	(1,350)	(124)
Total liabilities		(68,372)	(35,842)	(56,402)	(31,416)
Net assets		261,190	214,104	261,735	231,720
Equity					
Share capital	24	405	402	405	402
Share premium account	24	21,549	19,522	21,549	19,522
Merger reserve	24	61,560	56,513	61,560	56,513
Own shares	24	(3,231)	(2,812)	(3,231)	(2,812)
Translation reserve	24	23,857	(1,266)	—	—
Share-based payments reserve	24	10,738	8,319	9,821	7,860
Hedging reserve	24	(7,066)	1,758	(7,066)	1,758
Tax reserve	24	1,845	585	1,860	562
Retained earnings		151,533	131,083	176,837	147,915
Total equity attributable to the owners of the parent		261,190	214,104	261,735	231,720

¹ See note 3 for details.

The preliminary financial information of Abcam plc, registered number 3509322, was approved by the Board of Directors and authorised for issue on 9 September 2016.

They were signed on its behalf by:

Jeff Iiliffe
Director

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares £000	Translation reserve ¹ £000	Share-based payments reserve ² £000	Hedging reserve ³ £000	Tax reserve ⁴ £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2014	401	17,692	56,513	(2,143)	(8,718)	6,441	893	(98)	109,919	180,900
Profit for the year	—	—	—	—	—	—	—	—	37,384	37,384
Other comprehensive income:										
Exchange differences on translation of foreign operations	—	—	—	—	7,452	131	—	—	—	7,583
Movements on cash flow Hedges	—	—	—	—	—	—	1,068	—	—	1,068
Tax relating to components of other comprehensive income	—	—	—	—	—	—	(203)	—	—	(203)
	—	—	—	—	7,452	131	865	—	—	8,448
Total comprehensive income	—	—	—	—	7,452	131	865	—	37,384	45,832
Issue of share capital	1	1,830	—	(1,001)	—	—	—	—	—	830
Own shares disposed of on release of shares	—	—	—	332	—	—	—	—	(332)	—
Credit to equity for share-based payments	—	—	—	—	—	1,747	—	683	—	2,430
Payment of dividends	—	—	—	—	—	—	—	—	(15,888)	(15,888)
Transactions with owners recognised directly in equity	1	1,830	—	(669)	—	1,747	—	683	(16,220)	(12,628)
Balance as at 1 July 2015	402	19,522	56,513	(2,812)	(1,266)	8,319	1,758	585	131,083	214,104
Profit for the year	—	—	—	—	—	—	—	—	37,429	37,429
Other comprehensive income:										
Exchange differences on translation of foreign operations	—	—	—	—	23,446	457	—	—	—	23,903
Movements on cash flow hedges	—	—	—	—	—	—	(10,819)	—	—	(10,819)
Movement on net investment hedge	—	—	—	—	1,677	—	—	—	—	1,677
Tax relating to components of other comprehensive income	—	—	—	—	—	—	1,995	—	—	1,995
	—	—	—	—	25,123	457	(8,824)	—	—	16,756
Total comprehensive income	—	—	—	—	25,123	457	(8,824)	—	37,429	54,185
Issue of share capital	3	2,027	5,047	(658)	—	—	—	—	—	6,419
Own shares disposed of on release of shares	—	—	—	239	—	—	—	—	(239)	—
Credit to equity for share-based payments	—	—	—	—	—	1,962	—	1,260	—	3,222
Payment of dividends	—	—	—	—	—	—	—	—	(16,740)	(16,740)
Transactions with owners recognised directly in equity	3	2,027	5,047	(419)	—	1,962	—	1,260	(16,979)	(7,099)
Balance as at 30 June 2016	405	21,549	61,560	(3,231)	23,857	10,738	(7,066)	1,845	151,533	261,190

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

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

3 Gains and losses recognised on cash flow hedges.

4 Portion of tax asset arising on outstanding share options and share options exercised.

Company statement of changes in equity

For the year ended 30 June 2016

	Share capital £000	Share premium £000	Merger reserve £000	Own shares £000	Share-based payments reserve ¹ £000	Hedging reserve ² £000	Tax reserve ³ £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2014	401	17,692	56,513	(2,143)	6,113	893	(121)	123,992	203,340
Profit for the year	—	—	—	—	—	—	—	40,372	40,372
Other comprehensive income:									
Movements on cash flow hedges	—	—	—	—	—	1,068	—	—	1,068
Tax relating to components of other comprehensive income	—	—	—	—	—	(203)	—	—	(203)
Total comprehensive income	—	—	—	—	—	865	—	40,372	41,237
Issue of share capital	1	1,830	—	(1,001)	—	—	—	—	830
Own shares disposed of on exercise of share options	—	—	—	332	—	—	—	(332)	—
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	—	529	—	—	—	529
Credit to equity for share-based payments	—	—	—	—	1,218	—	683	—	1,901
Arising on transfer of trade from subsidiary (note 30)	—	—	—	—	—	—	—	(229)	(229)
Payment of dividends	—	—	—	—	—	—	—	(15,888)	(15,888)
Transactions with owners recognised directly in equity	1	1,830	—	(669)	1,747	—	683	(16,449)	(12,857)
Balance as at 1 July 2015	402	19,522	56,513	(2,812)	7,860	1,758	562	147,915	231,720
Profit for the year	—	—	—	—	—	—	—	45,901	45,901
Other comprehensive income:									
Movements on cash flow hedges	—	—	—	—	—	(10,819)	—	—	(10,819)
Tax relating to components of other comprehensive income	—	—	—	—	—	1,995	—	—	1,995
Total comprehensive income	—	—	—	—	—	(8,824)	—	45,901	37,077
Issue of share capital	3	2,027	5,047	(658)	—	—	—	—	6,419
Own shares disposed of on exercise of share options	—	—	—	239	—	—	—	(239)	—
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	—	635	—	—	—	635
Credit to equity for share-based payments	—	—	—	—	1,326	—	1,298	—	2,624
Payment of dividends	—	—	—	—	—	—	—	(16,740)	(16,740)
Transactions with owners recognised directly in equity	3	2,027	5,047	(419)	1,961	—	1,298	(16,979)	(7,062)
Balance as at 30 June 2016	405	21,549	61,560	(3,231)	9,821	(7,066)	1,860	176,837	261,735

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

2 Gains and losses recognised on cash flow hedges.

3 Portion of tax asset arising on outstanding share options and share options exercised.

Cash flow statements

For the year ended 30 June 2016

	Notes	Consolidated		Company	
		30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 ¹ £000
Profit before tax		45,412	46,099	50,625	50,349
Finance income		(146)	(372)	(4,832)	(4,110)
Finance costs		1,052	—	310	—
Operating profit for the year		46,318	45,727	46,103	46,239
Adjustments for:					
Depreciation of property, plant and equipment	14	3,879	2,934	2,105	1,312
Amortisation of intangible assets	13	7,476	5,104	4,092	2,004
Financial instruments at fair value through profit or loss		2,404	325	2,404	326
Loss on disposal of property, plant and equipment		2	—	—	—
Loss on disposal of intangible assets		164	—	164	—
Research and development expenditure credit		(1,947)	—	(1,947)	—
Share-based payments charge	27	2,243	1,891	1,326	1,217
Unrealised currency translation (gains)/losses		(631)	375	(10,891)	(2,184)
Operating cash flows before movements in working capital		59,908	56,356	43,356	48,914
Decrease/(increase) in inventories		1,261	(4,071)	3,558	(2,173)
(Increase) in receivables		(4,562)	(4,646)	(15,363)	(9,254)
Increase in payables		191	1,249	19,839	5,078
Cash generated from operations		56,798	48,888	51,390	42,565
Income taxes paid		(9,477)	(8,676)	(8,406)	(7,999)
Finance costs		(7)	—	(7)	—
Net cash inflow from operating activities		47,314	40,212	42,977	34,566
Investing activities					
Investment income		294	202	4,532	4,110
Purchase of property, plant and equipment		(7,974)	(6,501)	(4,243)	(4,070)
Purchase of intangible assets		(7,608)	(978)	(7,479)	(948)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	29	(6,258)	(17,333)	—	—
Increase in intercompany lending		—	—	(9,394)	(18,738)
Acquisition of trade from subsidiary, net of cash acquired		—	—	—	54
Proceeds on disposal of property, plant and equipment		3	—	—	—
Net cash outflow from investing activities		(21,543)	(24,610)	(16,584)	(19,592)
Financing activities					
Dividends paid	25	(16,740)	(15,888)	(16,740)	(15,888)
Proceeds on issue of shares		1,483	1,832	1,483	1,832
Purchase of own shares		(114)	—	(114)	—
Net cash outflow from financing activities		(15,371)	(14,056)	(15,371)	(14,056)
Increase in cash and cash equivalents		10,400	1,546	11,022	918
Cash and cash equivalents at beginning of year		57,059	55,278	49,931	49,013
Effect of foreign exchange rates		1,460	235	—	—
Cash and cash equivalents at end of year		68,919	57,059	60,953	49,931

1 Certain Company cash flow movements have been reallocated in order to provide consistency with current year presentation; £18,738k being reallocated from cash from operating activities to investing activities to better reflect the nature of cash flows.

Cash and term deposits at end of year comprise:

	Consolidated		Company	
	30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Cash and cash equivalents	68,919	57,059	60,953	49,931
Term deposits (current)	1,748	—	1,000	—
Term deposits (non-current)	—	1,636	—	1,000
Total cash and cash equivalents and term deposits	70,667	58,695	61,953	50,931

Notes to the Preliminary Financial Information

For the year ended 30 June 2016

1. Presentation of the preliminary financial information

a. General information

Abcam plc (the Company) is incorporated and domiciled 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 Company is a public limited company which is listed on the London Stock Exchange Alternative Investment Market (AIM).

The Company and its subsidiaries (together the Group) produce and distribute high quality research-grade antibodies and associated protein research tools. The Group operates through its ultimate parent company Abcam plc and through a channel of wholly owned manufacturing and distribution subsidiaries mainly based in the US and Asia Pacific, which allows it to serve a global customer base of over 100 countries. A list of all subsidiaries is contained in note 15.

b. Basis of preparation

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

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

The accounting policies adopted in the preparation of the preliminary financial information are consistent with those followed in the preparation of the statements for the year ended 30 June 2015 except where disclosed otherwise in this note.

The results shown for the year ended 30 June 2016 and 30 June 2015 are audited. The consolidated financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts of the Company in respect of the financial year ended 30 June 2016 were approved by the Board of directors on 9 September 2016 and will be delivered to the Registrar of Companies in due course. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph nor any statement under Section 498 of the Companies Act 2006.

c. Fair value adjustment in respect of prior period acquisition

During the period a study was undertaken to assess the extent to which pre-acquisition tax losses of Firefly Bioworks Inc can be carried forward following the purchase of that company by the Group. Carried forward losses of \$7.6m have been deemed available for future utilisation against the taxable profits of the consolidated US group with no restriction other than timing, resulting in a fair value deferred tax asset of £1.9m being recognised. The deferred tax asset has been recognised on the basis that the Directors are confident that there will be sufficient temporary differences against which these losses can be utilised. The deferred tax asset in relation to losses assessed within the measurement period has been recognised as if this position had been concluded at the date of acquisition, in line with the IFRS 3 requirements. This has meant a restatement of the Group's balance sheet at 30 June 2015 to recognise the increase in deferred tax asset and corresponding decrease in goodwill. See note 29 for the restated acquired balance sheet.

d. Going concern

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

Having assessed the principal risks and other matters discussed in connection with the budget and forecast covering the next five years, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Group's preliminary financial information.

2. Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Group and the Company

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

IFRS 10 *Consolidated Financial Statements (Amendment)*

IFRS 12 *Disclosure of Interests in Other Entities (Amendment)*

IAS 1 *Presentation of Financial Statements (Amendment)*

IAS 16 *Property, Plant and Equipment (Amendments)*

IAS 27 *Separate Financial Statements (Amendment)*

IAS 28 *Investment in Associates and Joint Ventures (Amendment)*

Improvements to IFRSs (September 2014)

New standards, amendments and interpretations not yet adopted

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

		Effective for accounting periods beginning on or after
IFRS 2 (amendment)	<i>Classification and measurement of share-based payment transactions</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 10 (amendment)	<i>Sale of contribution of assets between an investor and its associate or joint venture¹</i>	
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 15 (amendment)	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
IAS 7 (amendment)	<i>Amendment regarding the disclosure initiative</i>	1 January 2017
IAS 12 (amendment)	<i>Amendments to the recognition of deferred tax assets for unrealised losses</i>	1 January 2017
IAS 28 (amendment)	<i>Investments in Associates and Joint Ventures¹</i>	

¹ In December 2015 the IASB postponed the effective date of these amendments indefinitely pending the outcome of its research project on the equity method of accounting.

The standards and interpretations above have not been applied in preparing this preliminary financial information and the Directors do not expect that their adoption in future periods will have a material impact on the preliminary financial information of the Group, with the exception of the potential impact of IFRS 16 *Leases* and IFRS 15 *Revenue from Contracts with Customers*, which the Directors are still assessing.

3. Significant accounting policies

Consolidation

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

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

Business combinations

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

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

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

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

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

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

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair value of the net assets acquired. Where the fair value of the consideration is less than the fair value of the acquired net assets, the deficit is recognised immediately in profit

or loss as a bargain purchase. Goodwill is capitalised and subject to an impairment review at least annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the carrying value may not be recoverable. If the recoverable amount of the 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.

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

Revenue and income recognition

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

Sales of goods are recognised when goods are dispatched and title has passed.

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

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

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

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Leasing

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

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

Foreign currencies

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

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

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

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

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

- differences arising on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting) which are recognised through other comprehensive income.
- differences arising on foreign currency assets or liabilities designated as a net investment hedge of the Group's overseas operations which are recognised in the translation reserve.

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

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

The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to 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 is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets under the course of construction are not depreciated.

Intangible assets

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

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

Patents, technology and know-how assets are only amortised once the development is complete and meaningful revenue is being derived from the identified assets; until this point the asset is deemed to be in progress.

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, a review of the carrying amounts of the Group's and the Company's tangible and intangible assets is performed to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

Inventories

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

Financial instruments

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

Available-for-sale financial assets

Where the Group holds an investment in shares which is classified as an available-for-sale financial asset it is stated at cost less any provision for impairment and estimated costs associated with sale, unless the investment is in relation to shares traded on an active market where a fair valuation for all the shares can be obtained. Such investments are held at fair value, taken as the closing market value of the shares except where the Directors believe there is significant measurement uncertainty in which case the fair value will be adjusted accordingly. Any revaluation gain or loss is recorded through equity.

Trade and other receivables

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

Cash and cash equivalents

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

Term deposits

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

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Derivative financial instruments

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

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

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

Hedge accounting

The Group and the Company designates certain derivatives as cash flow hedges of highly probable forecast foreign currency transactions. The Group and the Company has also designated contingent consideration payable as a hedge of its net investment in foreign operations.

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

Share-based payments

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, LTIP and Deferred Share Award schemes. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

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

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

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

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

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

A new scheme has been issued during the year to the Non-Executive Directors of the Group whereby the grant date fair value of options issued is measured by the use of the Black Scholes model.

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

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

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

Own shares

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

Dividend distribution

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

4. 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 amounts of assets, liabilities, revenue and expenses reported in the preliminary financial information. Actual amounts and results may differ from those estimates.

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

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

a. Critical accounting judgements

Valuation of intangibles

As part of the business combinations the Group has undertaken in the current and previous years, it has acquired the following types of intangible assets: software, contract based, licence fees, customer relationships, patents, trade names, technology and know-how. The Directors are required to make decisions on the fair values of the acquired assets, including identification and valuation of any separately identifiable intangible assets.

The Group obtains a third party valuation for any newly acquired intangible assets to ascertain the initial fair value and identifies a suitable useful life with reference to the third party guidance and the lives attributed to previous similar intangibles. The valuations include assumptions on future cash flows and discount rates based on expected contribution of the acquisition to the Group and are therefore inherently judgemental. The carrying value of the intangible assets may need to be reviewed if the expected benefit to the Group cannot be realised.

In addition to the acquired intangibles, the Group capitalises internal software development costs relating to the enhancement of the Group's core IT systems architecture and developments, where the costs meet the recognition criteria of IAS 38. Judgement is required in applying the capitalisation criteria of IAS 38, differentiating between enhancements and maintenance, and in assessing an expected useful life of the resulting enhancement or development.

During the year £5.5m was capitalised, £4.3m within assets under construction and £1.2m within software assets, in relation to the Group's system and process improvement project. The costs include external consultant costs and incremental staffing costs. In establishing the principles on which the costs are capitalised, the Directors have reviewed the nature of work being performed under the different phases of the project and the nature of the associated deliverables against the capitalisation criteria of IAS 38 and have identified the activities through the life of the project where the related costs should be expensed through the income statement.

Valuation of own manufactured inventory

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

b. Key sources of estimation uncertainty

Goodwill and other intangible asset impairment

Goodwill is deemed to have indefinite life and so is not amortised. The Group tests whether goodwill is impaired on at least an annual basis or more frequently when there are indications of possible impairment. The impairment review requires estimating the value in use of the Group's cash generating unit which is based on expected future cash flows and selection of an appropriate discount rate in order to calculate present value. The assumptions used in the impairment test are set out in note 12. The valuations indicate that the Group has sufficient headroom and that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

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

The carrying value of the software asset may be unsupported where additional development work makes the predecessor development redundant if the full useful life has not already been reached. Due to the commencement of the Group's system and process improvement project, a review of all software assets was conducted during the year and a revision made to the useful lives of any asset expected to be replaced. Additional amortisation of £1.3m has been recognised in the current year (2015: £nil) to accelerate the amortisation of these assets.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and therefore include an element of management judgement. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Group and the Company.

Provision for slow-moving or defective inventory

The provision for slow-moving inventory is based on management's estimation of the future sales of each of the Group's products over the next five years (or period from the balance sheet date to the expiry date of the product, whichever is the shorter), taking into account actual sales of those products in previous years and applying an assumed growth rate based on historical trends where available.

If actual unit sales growth rates differ from those estimated by management, both the level of provision against existing inventory and the rates of provision applied to inventory in future periods would need to be revised. An increase or decrease of 5% on the projected unit sales growth on each product category would impact the provision required by +0.3% (£0.02m) / -0.4% (£0.03m). Applying no growth to all product categories would give a maximum impact of £0.5m increase in the provision.

Taxation

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

The Group has recognised significant deferred tax assets during the year in relation to tax losses. Third party experts have been used to assess the value of available losses and recognition of a deferred tax asset has only been made to the level that it is probable that future taxable profit will be available in the relevant jurisdictions to realise them. Future taxable profit is based on management forecasts and if actual profitability differs significantly in the future, this could impact the level of losses that it is possible to utilise.

Contingent consideration and fees

Contingent consideration liabilities are recorded at the fair value of the future expected payment assessed at the date of acquisition. The fair value recognised as part of the acquisition of AxioMx Inc, as detailed in note 26, is based on estimated future cash flows resulting from probability weighted outcomes of defined milestones, discounted using appropriate interest rates. The probabilities are management estimation of the likelihood of success using available scientific and legal knowledge and relevant historic trends. Actual amounts to be paid out in future periods may be different from the estimation and could consequently effect the future results of the Group where actual success of milestone achievement is different from the original estimation. The maximum additional liability if all milestones are met is \$3.8m (£2.8m at the balance sheet rate of 1.3368).

5. Operating segments

Products and services from which reportable segments derive their revenues

The Directors consider that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business. The information reported to the Group's Chief Executive Officer, who is considered the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, 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 2016 £000	Year ended 30 June 2015 £000	As at 30 June 2016 £000	As at 30 June 2015 £000
US	76,817	62,332	171,228	122,273
China	18,844	13,077	3,912	1,976
Japan	12,321	11,282	57	55
UK	11,213	10,316	25,049	19,796
Germany	9,294	8,627	—	—
Other countries	43,184	38,399	47	2
	171,673	144,033	200,293	144,102

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

Revenue by type is shown below:

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Catalogue revenue	158,961	135,382
Custom products and licensing revenue ¹	12,712	8,651
Total reported revenue	171,673	144,033

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

6. Profit for the year

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

	Notes	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Cost of inventories recognised as an expense		41,379	35,175
Write down of inventories recognised as an expense		1,536	1,262
R&D expenditure (including amortisation as detailed below)		12,821	9,919
Staff costs	8	41,492	33,410
Operating lease rentals – land and buildings	23	3,369	2,822
Auditor's remuneration	7	171	229
Impairment loss recognised on trade receivables	18	29	67
Foreign exchange differences arising on financial instruments at fair value through profit or loss		2,404	325
Other net foreign exchange differences		(780)	(108)
Depreciation of property, plant and equipment	14	3,879	2,934
Amortisation of intangible assets included within administration and management expenses	13	3,749	1,986
Amortisation of acquisition-related intangible assets included within administration and management expenses	13	1,260	1,445
Amortisation of acquisition-related intangible assets included within R&D expenditure	13	2,467	1,673
Loss on disposal of intangible assets	13	164	—

7. Auditor remuneration

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

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000

Fees payable to the Company's auditor for the audit of the parent company and the consolidation	138	119
Total audit fees	138	119
– Audit-related assurance services ¹	23	20
– Audit of the Company's subsidiaries pursuant to legislation	10	10
– Services relating to corporate finance transactions	—	80
Total other services fees	33	110
Total auditor remuneration	171	229

1 This relates to the interim review.

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

8. Employees and remuneration

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

	Group	
	Year ended 30 June 2016 Number	Year ended 30 June 2015 Number
Management, administrative, marketing and distribution	572	492
Laboratory	310	290
	882	782

Their aggregate remuneration comprised:

	Group	
	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Wages and salaries	35,090	27,018
Social security costs	4,086	3,286
Other pension costs	2,235	1,689
Charge in respect of share options and awards granted	2,243	1,891
Total staff costs	43,654	33,884
Staff costs capitalised ¹	(2,162)	(474)
Net staff costs	41,492	33,410

1 £2,162,000 (2015: £474,000) relates to Group staff costs directly attributable to system development, which include the implementation of a new ERP system, being capitalised as part of internally generated intangible software assets under IAS 38 (see note 13).

9. Finance income and costs

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Unwinding of discount on contingent consideration (note 26)	(1,050)	—
Interest expenses	(2)	—
Finance costs	(1,052)	—
Interest income on cash and term deposits	146	372
Finance income	146	372
Net finance (costs) / income	(906)	372

10. Taxation

	Note	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Current tax		9,266	10,347
Deferred tax	16	(1,283)	(1,632)
		7,983	8,715

UK corporation tax is calculated at 20.0% (2015: 20.8%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance Act 2015, which received Royal Assent on 26 March 2015, states that this rate will not change for financial year 2016. Deferred tax has been calculated accordingly in this preliminary financial information. In the budget of 8 July 2015, the Chancellor of the Exchequer announced tax rate changes, which will have an effect on the Company's future tax position. These additional changes will reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. These proposed changes were substantively enacted in the Finance Bill 2015 on 26 October 2015.

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

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

	Year ended 30 June 2016 £000	Year ended 30 June 2016 %	Year ended 30 June 2015 £000	Year ended 30 June 2015 %
Profit before tax	45,412		46,099	
Tax at the UK corporation tax rate of 20.0% (2015: 20.8%)	9,082	20.0	9,566	20.8
Adjusted in respect of foreign tax rates	1,618	3.6	891	1.9
Tax effect of expenses that are not deductible in determining taxable profit	697	1.5	262	0.6
Additional relief in relation to overseas entities	(1,390)	(3.1)	(1,266)	(2.8)
R&D tax credit uplift	(416)	(0.9)	(383)	(0.8)
Recognition of deferred tax previously unrecognised	(204)	(0.4)	—	—
Adjustments in respect of prior year ¹	(1,666)	(3.7)	(324)	(0.7)
Effect of difference between closing deferred tax rate and current tax rate	262	0.6	(31)	(0.1)
Tax expense and effective rate for the year	7,983	17.6	8,715	18.9

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

11. Earnings per share

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

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Earnings		
Earnings for the purposes of basic and diluted EPS, being net profit attributable to owners of the parent	37,429	37,384

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	201,147,931	199,978,991
Effect of dilutive potential ordinary shares:		
– Share options	854,936	1,298,477
Weighted average number of ordinary shares for the purposes of diluted EPS	202,002,867	201,277,468

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

Adjusted earnings per share

The calculation of adjusted EPS is based on adjusted profit after tax of:

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Earnings for the purposes of basic and diluted EPS, being net profit attributable to the owners of the parent	37,429	37,384
Acquisition costs	466	335
Integration costs	480	24
Non-recurring ERP system implementation costs	3,955	—
Unwinding of discount factor on contingent consideration and fees	1,050	—
Amortisation of acquisition-related intangible assets	3,727	3,118
Prior years' R&D tax credit	(1,308)	—
Tax effect of adjusting items	(647)	(1,084)
Adjusted profit after tax	45,152	39,777

The adjusted EPS information is provided to allow a clear method for year-on-year comparison. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

	Year ended 30 June 2016	Year ended 30 June 2015
Basic EPS	18.61p	18.69p
Diluted EPS	18.53p	18.57p
Adjusted basic EPS	22.45p	19.89p
Adjusted diluted EPS	22.35p	19.76p

12. Goodwill

	Group £000	Company £000
Cost		
At 1 July 2014	73,549	—
Acquired on acquisition of subsidiary (restated)	6,131	—
Acquired on transfer of trade from subsidiary (note 30)	—	7,658
Exchange differences	5,520	—
At 1 July 2015 (restated)	85,200	7,658
Acquired on acquisition of subsidiary (note 29)	11,837	—
Exchange differences	15,425	—
At 30 June 2016	112,462	7,658
Accumulated impairment losses		
At 1 July 2014, 1 July 2015 and 30 June 2016	—	—
Carrying amount		
At 30 June 2014	73,549	—
At 30 June 2015	85,200	7,658
At 30 June 2016	112,462	7,658

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

Group goodwill acquired in the year relates to the acquisition of AxioMx Inc on 11 November 2015. Note 29 contains further details of the transaction and resulting financial impact on the Group.

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

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

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

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

Management has projected cash flows based on financial forecasts over a period of five years. A growth rate of 2.1% has been used in the extrapolation of cash flows beyond the five years based on expected inflationary increases of the economies in which the Group predominantly trades. A pre-tax discount rate of 8.2% 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 recoverable amount of goodwill exceeds its carrying amount. As such, no impairment of goodwill has been recognised at the balance sheet date.

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

Company goodwill

The Company goodwill is tested for impairment on an annual basis or more frequently if there are any indications that the goodwill might be impaired. The forecast cash flows arising in the Company have been projected using the same key assumptions as used for the Group testing.

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

13. Intangible assets

Group

	Upfront	Distribution	Software	Contract	Assets	Customer	Patents,	Trade	Total
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	licence fees £000	rights £000	£000	based £000	under construction £000	relationships £000	technology and know-how £000	names £000	£000
Cost									
At 1 July 2014	525	1,093	7,192	3,252	200	4,634	21,559	1,901	40,356
Additions	2	4	85	—	890	—	—	—	981
Transfer to asset in use	—	—	887	—	(887)	—	—	—	—
Acquisition of subsidiary (note 29)	—	—	615	—	—	—	17,089	—	17,704
Exchange differences	—	—	(20)	280	—	371	977	167	1,775
At 1 July 2015	527	1,097	8,759	3,532	203	5,005	39,625	2,068	60,816
Additions	30	259	566	—	6,753	—	—	—	7,608
Transfer to asset in use	—	—	2,653	—	(2,653)	—	—	—	—
Reallocations	—	209	132	—	—	—	—	—	341
Acquisition of subsidiary (note 29)	—	—	—	485	—	—	15,928	—	16,413
Disposals in year	—	—	(231)	—	—	—	—	—	(231)
Exchange differences	1	—	132	685	—	800	9,023	365	11,006
At 30 June 2016	558	1,565	12,011	4,702	4,303	5,805	64,576	2,433	95,953
Accumulated amortisation									
At 1 July 2014	474	625	1,913	1,712	—	1,076	3,860	520	10,180
Charge for the year	40	384	1,806	462	—	482	1,673	257	5,104
Exchange differences	—	—	—	187	—	116	367	47	717
At 1 July 2015	514	1,009	3,719	2,361	—	1,674	5,900	824	16,001
Charge for the year	13	149	3,781	248	—	544	2,468	273	7,476
Reallocations	—	209	132	—	—	—	—	—	341
Disposals in year	—	—	(67)	—	—	—	—	—	(67)
Exchange differences	—	—	49	433	—	308	1,028	176	1,994
At 30 June 2016	527	1,367	7,614	3,042	—	2,526	9,396	1,273	25,745
Carrying amount									
At 30 June 2015	13	88	5,040	1,171	203	3,331	33,725	1,244	44,815
At 30 June 2016	31	198	4,397	1,660	4,303	3,279	55,180	1,160	70,208

Company

	Upfront licence fees £000	Distribution rights £000	Software £000	Assets under construction £000	Customer relationships £000	Patents, technology and know-how £000	Total £000
Cost							
At 1 July 2014	525	1,488	7,103	200	—	—	9,316
Additions	1	1	55	890	—	—	947
Acquired on trade transfer from subsidiary (note 30)	—	—	—	—	190	412	602
Transfer to asset in use	—	—	887	(887)	—	—	—
At 1 July 2015	526	1,489	8,045	203	190	412	10,865
Additions	1	259	466	6,753	—	—	7,479
Disposals in year	—	—	(218)	—	—	—	(218)
Reallocations	—	209	132	—	—	—	341
Transfer to asset in use	—	—	2,653	(2,653)	—	—	—
At 30 June 2016	527	1,957	11,078	4,303	190	412	18,467
Accumulated amortisation and impairment							
At 1 July 2014	472	1,130	1,878	—	—	—	3,480
Charge for the year	40	270	1,694	—	—	—	2,004
At 1 July 2015	512	1,400	3,572	—	—	—	5,484
Reallocations	—	209	132	—	—	—	341
Charge for the year	13	149	3,517	—	60	353	4,092
Disposals in year	—	—	(54)	—	—	—	(54)
At 30 June 2016	525	1,758	7,167	—	60	353	9,863
Carrying amount							
At 30 June 2015	14	89	4,473	203	190	412	5,381
At 30 June 2016	2	199	3,911	4,303	130	59	8,604

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

Contract-based intangibles relates to:

- an agreement with the University of Oregon, under which the university supplies monoclonal antibodies to MitoSciences Inc, which has full rights and entitlement to commercially exploit these materials in exchange for an ongoing fee. The remaining amortisation period is eight years, being the remaining term of the agreement; and

- a support agreement with a third party acquired during the year as part of the AxioMx acquisition that had a remaining term of three years at acquisition which has been adopted as the asset's useful life. The remaining amortisation period is two years and four months.

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

Customer relationships mainly relates to access to new customers as part of the Epitomics acquisition, namely in the reagents and services business. The remaining amortisation period is six years in line with the history of the business. Customer relationships in the Company balance sheet have been acquired as part of the trade transfer of Ascent Scientific Ltd (Ascent) and represent access to new customers in the biochemical industry. The remaining amortisation period is one year.

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

- RabMAB[®] technology as part of the Epitomics business with a remaining amortisation period of eleven years, being the remaining term of the primary patent;
- multiplex and complex assay technology acquired as part of the Firefly BioWorks business. This has been held as in-progress R&D during the year and therefore not amortised. Development continued on the acquired platform during the year whilst continuing the sample testing services for customers, with the first wide-scale launch of products at the end of the year. Consequently amortisation will commence in July 2016. The amortisation period will be the remaining term on the primary patent, which is 14 years; and
- in-vitro monoclonal antibody production technology was acquired during the year with the acquisition of AxioMx Inc. The useful life was set in line with the remaining life on the patents existing at acquisition. The remaining amortisation period is 17 years.

The technology asset in the Company balance sheet was acquired as part of the trade transfer of Ascent and represents the cost to recreate unique production processes that was assessed during the original acquisition of Ascent by the Group. The remaining amortisation period is two months.

Trade names relate to RabMAB[®] and Epitomics. The remaining amortisation period is four years.

14. Property, plant and equipment

Group

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas and assays £000	Hybridomas under construction £000	Motor vehicles £000	Total £000
Cost							
At 1 July 2014	1,865	9,367	3,004	4,313	944	138	19,631
Additions	643	2,049	1,077	2,148	759	—	6,676
Transfer to asset in use	—	—	—	325	(325)	—	—
Disposals	(109)	(65)	(6)	—	—	—	(180)
Exchange differences	30	210	102	99	—	12	453
At 1 July 2015	2,429	11,561	4,177	6,885	1,378	150	26,580
Additions	995	1,370	3,230	862	1,517	—	7,974
Acquisition of subsidiary (note 29)	1	109	5	—	—	—	115
Transfer to asset in use	—	—	—	1,584	(1,584)	—	—
Transfers	—	(1,725)	1,745	539	—	—	559
Disposals	(41)	(190)	(1)	—	—	—	(232)
Exchange differences	133	562	624	621	12	13	1,965
At 30 June 2016	3,517	11,687	9,780	10,491	1,323	163	36,961
Accumulated depreciation							
At 1 July 2014	1,381	6,922	2,049	743	—	34	11,129
Charge for the year	385	1,192	481	860	—	16	2,934
Disposals	(109)	(63)	(6)	—	—	—	(178)
Exchange differences	15	98	73	54	—	4	244
At 1 July 2015	1,672	8,149	2,597	1,657	—	54	14,129
Charge for the year	561	1,314	691	1,297	—	16	3,879
Transfers	—	(1,588)	1,608	539	—	—	559
Disposals	(40)	(186)	(1)	—	—	—	(227)
Exchange differences	103	331	298	260	—	6	998
At 30 June 2016	2,296	8,020	5,193	3,753	—	76	19,338
Carrying amount							
At 30 June 2015	757	3,412	1,580	5,228	1,378	96	12,451
At 30 June 2016	1,221	3,667	4,587	6,738	1,323	87	17,623

Company

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures £000	Hybridomas and assays £000	Hybridomas under construction £000	Motor vehicles £000	Total £000
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			and fittings £000		£000		
Cost							
At 1 July 2014	1,328	6,686	1,338	1,526	945	6	11,829
Additions	394	1,090	90	1,905	592	—	4,071
Transfer to asset in use	—	—	—	291	(291)	—	—
Acquired on trade transfer from subsidiary (note 30)	8	111	15	—	—	—	134
Disposals	(71)	(1)	—	—	—	—	(72)
At 1 July 2015	1,659	7,886	1,443	3,722	1,246	6	15,962
Additions	665	429	970	861	1,318	—	4,243
Transfer to asset in use	—	—	—	1,426	(1,426)	—	—
Transfers	—	(1,725)	1,745	539	—	—	559
Disposals	(22)	—	—	—	—	—	(22)
At 30 June 2016	2,302	6,590	4,158	6,548	1,138	6	20,742
Accumulated depreciation							
At 1 July 2014	1,017	5,644	1,014	318	—	1	7,994
Charge for the year	250	561	141	358	—	2	1,312
Disposals	(71)	(1)	—	—	—	—	(72)
At 1 July 2015	1,196	6,204	1,155	676	—	3	9,234
Charge for the year	380	617	254	852	—	2	2,105
Transfers	—	(1,588)	1,608	539	—	—	559
Disposals	(22)	—	—	—	—	—	(22)
At 30 June 2016	1,554	5,233	3,017	2,067	—	5	11,876
Carrying amount							
At 30 June 2015	463	1,682	288	3,046	1,246	3	6,728
At 30 June 2016	748	1,357	1,141	4,481	1,138	1	8,866

15. Investments

The subsidiaries of the Group at 30 June 2016 are represented below. The equity share capital of these entities is wholly owned by the Group unless shown otherwise. Those entities that are directly owned by the Company are also disclosed.

	Principal Activity	Country of incorporation	Company ownership
Abcam Australia Pty Limited	Sales and distribution	Australia	Direct
Abcam Inc	Sales and distribution	US	Indirect
Abcam KK	Sales and distribution	Japan	Direct
Abcam (Hong Kong) Limited	Sales and distribution	Hong Kong	Direct
Abcam Epitomics Holdings, Inc	Holding company	US	Indirect
Abcam LLC	Holding company	US	Direct
Abcam Trading (Shanghai) Co., Limited	Sales and distribution	China	Indirect
Abcam (US) Limited	Financing and investing	UK	Indirect
Abcam US Group Holdings Inc	Financing and investing	US	Direct
Ascent Scientific Limited	Dormant	UK	Direct
Camgene Limited	Dormant	UK	Direct
Epitomics Inc	R&D and manufacturing	US	Indirect
Epitomics (Hangzhou) Biotechnology Co., Limited	R&D and manufacturing	China	Indirect
Firefly BioWorks Inc	R&D and manufacturing	US	Indirect
MitoSciences Inc	R&D and manufacturing	US	Indirect
Abcam Singapore Pte. Ltd	Sales and distribution	Singapore	Direct
Axiomx Inc	R&D and manufacturing	US	Indirect
The Abcam Employee Share Benefit Trust Limited	Employee benefit trust	UK	Direct

Analysis of changes in investments - Company

	£000
At 1 July 2014	96,147
Capital contribution ¹	529
Reduction of investment value on transfer of trade to parent (note 30)	(8,370)
At 30 June 2015	88,306
Capital contribution ¹	5,684
Reduction of investment value on transfer of trade to parent	(29)
At 30 June 2016	93,961

¹ The capital contribution represents share-based payment charges for share options issued by the Company to employees of its subsidiaries and, in the year ended 30 June 2016, shares issued on behalf of subsidiaries as part of the consideration payable on acquisition.

On 12 November 2015, the Company launched its direct service in Singapore. The cost of the investment was £48. This was the nominal value of the issued share capital.

16. Deferred tax assets and liabilities

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

Group

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payment £000	Acquired intangible assets £000	Losses £000	Other temporary differences £000	Total £000
At 30 June 2014	(613)	(238)	897	(8,841)	—	2,212	(6,583)
(Charge)/credit to income	(608)	—	62	1,079	—	1,099	1,632
Acquisition of subsidiary (restated) ¹	—	—	—	(6,607)	1,882	—	(4,725)
(Charge)/credit to equity	—	(203)	623	—	—	—	420
Exchange differences	(56)	—	—	(410)	(84)	125	(425)
At 30 June 2015 (restated)¹	(1,277)	(441)	1,582	(14,779)	1,798	3,436	(9,681)
Credit/(charge) to income	112	336	406	898	(738)	269	1,283
Acquisition of subsidiary	—	—	—	(6,306)	1,173	—	(5,133)
Credit/(charge) to equity	—	1,995	613	—	—	(173)	2,435
Exchange differences	(142)	—	—	(2,751)	406	260	(2,227)
At 30 June 2016	(1,307)	1,890	2,601	(22,938)	2,639	3,792	(13,323)

¹ The prior year restatement relates to recognition of carried forward losses in relation to the Firefly Bioworks Inc acquisition. See Note 3 for details.

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 2016 £000	30 June 2015 £000
Deferred tax assets	9,615	5,098
Deferred tax liabilities	(22,938)	(14,779)
	(13,323)	(9,681)

The deferred tax liability of £22,938,000 (2015: £14,779,000) has been recognised in relation to the acquired intangible assets as a result of the acquisitions. Amounts released from this liability during the year were £898,000 (2015: £1,079,000), 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	Acquired intangible assets £000	Other temporary differences £000	Total £000
At 30 June 2014	(28)	(238)	863	—	(112)	485
(Charge)/credit to income	(259)	—	95	—	157	(7)
Acquisition (note 30)	—	—	—	(119)	—	(119)
(Charge)/credit to equity	—	(203)	623	—	—	420
At 30 June 2015	(287)	(441)	1,581	(119)	45	779
(Charge)/credit to income	(177)	336	407	—	120	686
Credit to equity	—	1,995	613	—	—	2,608
At 30 June 2016	(464)	1,890	2,601	(119)	165	4,073

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 (2015: £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.

17. Inventories

	Group		Company	
	30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Raw materials	3,075	1,487	557	—
Work in progress	2,221	1,845	413	—
Finished goods	14,379	16,471	12,562	17,090
	19,675	19,803	13,532	17,090

18. Financial assets

Trade and other receivables

	Group		Company	
	30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Amounts receivable for the sale of goods	20,292	13,791	5,027	3,964
Allowance for doubtful debts	(698)	(565)	(104)	(137)
	19,594	13,226	4,923	3,827
Amounts owed by subsidiary undertakings	—	—	27,824	14,466
Other debtors	6,255	4,119	3,295	2,399
Prepayments	2,655	2,382	1,253	1,213
	28,504	19,727	37,295	21,905

Trade receivables

The average credit period taken for sales is 36.5 days (2015: 32.5 days). No interest has been charged on the receivables. Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience. The Group and the 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 the 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 the 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 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
0 to 30 days overdue	3,417	2,689	486	599
30 to 60 days overdue	825	524	112	52
	4,242	3,213	598	651

Any receivables past 60 days past due are fully provided for.

Movement in the allowance for doubtful debts

	Group		Company	
	30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Balance at the beginning of the year	(565)	(479)	(137)	(196)
Impairment (losses)/gains recognised in the income statement	(29)	(82)	28	61
Receivables written off during the year as (uncollectible)/recovered	(23)	15	5	(2)
Exchange differences on translation of foreign operations	(81)	(19)	—	—
Balance at the end of the year	(698)	(565)	(104)	(137)

In determining the recoverability of a trade receivable the Group and the 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 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
0 to 30 days overdue	307	265	97	79
30 to 60 days overdue	66	16	2	1
60 to 90 days overdue	34	186	5	14
More than 90 days overdue	291	98	—	43
	698	565	104	137

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

19. Loan receivable

	Group		Company	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015

	£000	£000	£000	£000
Amount owed by subsidiary undertakings	—	—	82,065	60,760

The amount owed to the Company represents interest-bearing loans due from subsidiary undertakings, with terms as follows:

	Borrower	Principal \$000	Repayment date	Interest rate	Book value	
					30 June 2016 £000	30 June 2015 £000
Term loan 1	Abcam US Group Holdings	33,000	20 December 2019	7.34%	24,686	20,983
Term loan 2	Abcam US Group Holdings	34,000	20 December 2019	8.69%	25,434	21,619
Bridging loan	Abcam US Group Holdings	28,153	Not applicable	7.30%	—	17,901
Term loan 3	Abcam US Group Holdings	28,153	1 October 2020	3.50%	21,060	—
Term loan 4	Abcam US Group Holdings	11,468	11 November 2020	3.50%	8,579	—
Term loan 5	AxioMx Inc	2,417	11 November 2020	3.50%	1,808	—
Other Loans	Various	Various	Various		498	257
					82,065	60,760

All of the loans are unsecured. During the year the bridging loan was formalised into term loan 3. Term loans 4 and 5 were issued during the year. Any other changes in the book values of each loan are due to foreign exchange movements.

Interest accrued for term loans 3 and 4 are £0.9m and £0.2m respectively. These amounts are included within the trade and other receivables of the Company balance sheet.

Other loans represent the start-up funding for new entities within the Group. As at 30 June 2016, amounts consisted of funding to MitoSciences Inc, Abcam Singapore, and Abcam Australia.

20. Available-for-sale financial asset

	30 June 2016 £000	30 June 2015 £000
Shares	797	678

The Group holds a 3.92% interest in Plexbio Co. Limited (Plexbio), a biotechnology company headquartered in Taiwan. Plexbio was established to research, develop and manufacture in-vitro diagnostic (IVD) kits. The movement in the year is due to foreign exchange. See note 26 for further details.

21. Derivative financial instruments

Group and Company: 30 June 2016

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

Group and Company: 30 June 2015

	Current		Non-current		Total £000
	Asset £000	Liability £000	Asset £000	Liability £000	
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	784	(247)	—	—	537
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	2,471	(490)	224	(5)	2,200
	3,255	(737)	224	(5)	2,737

Further details of derivative financial instruments are provided in note 26.

22. Trade and other payables

	Group		Company	
	30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Amounts falling due within one year				
Trade payables	4,241	4,669	4,190	3,638

Amounts owed to subsidiary undertakings	—	—	21,495	6,803
Accruals	14,067	8,699	10,597	6,655
Other taxes and social security	743	615	667	549
Other payables	1,027	1,525	1,537	1,143
	20,078	15,508	38,486	18,788

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. At 30 June 2016, the Group had an average of 22.8 days of purchases (2015: 39.3 days) outstanding in trade payables (excluding accruals and deferred income). Most suppliers do not charge interest for the first 60 days of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timetable. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

23. Commitments

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Lease payments under operating leases recognised as an expense in the year:		
– Land and buildings	3,369	2,822

At the balance sheet date, the Group and the 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 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Within one year	3,855	2,853	925	959
In the second to fifth years inclusive	12,592	4,052	1,346	1,855
After five years	650	528	—	—
	17,097	7,433	2,271	2,814

The above table reflects the committed cash payments under operating leases, rather than the expected charge to the income statement in the relevant periods. The charge in 2016/17 on these operating leases is expected to be £3.9m for the Group and £0.9m for the Company. At the year end the Group had additional commitments of £0.8m relating to the acquisition of property, plant and equipment and intangible assets (2015: £1.0m).

24. Capital and reserves

Share capital

Group and Company

	30 June 2016 £000	30 June 2015 £000
Issued and fully paid:		
202,601,452 (2015: 201,052,039) ordinary shares of 0.2 pence each	405	402

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

	2016 Number	2016 £000	2015 £000
Balance at beginning of year	201,052,039	402	401
Issue of share capital	1,549,413	3	1
Balance at end of year	202,601,452	405	402

The Company has one class of ordinary shares which carry no right to fixed income. The share capital issued during the year arose from the settlement of the equity consideration in relation to the AxiomX Inc acquisition and from the exercise of share options.

Share premium

Group and Company

	£000
Balance at 1 July 2014	17,692
Premium arising on issue of equity shares	1,830
Balance at 1 July 2015	19,522
Premium arising on issue of equity shares	2,027
Balance at 30 June 2016	21,549

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

Own shares

Group and Company

£000

Balance at 1 July 2014	(2,143)
Issued/acquired in the year	(1,001)
Disposed of on exercise of options	332
Balance at 30 June 2015	(2,812)
Issued/acquired in the year	(658)
Disposed of on exercise of options	239
Balance at 30 June 2016	(3,231)

This balance represents the cost of 772,936 shares with a nominal value of £1,546 in Abcam plc (2015: 794,549 shares with a nominal value of £1,589) which were issued/acquired 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 Share and Matching Share elements of the SIP. See note 27 for further details of this scheme.

Reserves

Translation reserve

The translation reserve comprises foreign currency differences from the translation of the financial statements of foreign operations.

Share-based payment reserve

The share-based payment reserve comprises the IFRS 2 charge for the fair value of share-based options and awards.

Hedging reserve

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

Tax reserve

In accordance with IAS 12 the tax reserve comprises the portion of the deferred tax arising on outstanding share options not taken to the income statement and the portion of current tax on exercised share options not taken to the income statement.

Merger reserve

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

25. Dividends

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Amounts recognised as distributions to the owners of the parent in the year:		
Final dividend for the year ended 30 June 2015 of 5.92 pence (2014: 5.62 pence) per share	11,975	11,287
Interim dividend for the year ended 30 June 2016 of 2.354 pence (2015: 2.29 pence) per share	4,765	4,601
Total distributions to owners of the parent in the period	16,740	15,888
Proposed final dividend for the year ended 30 June 2016 of 6.556 pence (2015: 5.92 pence) per share	13,297	11,902

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.

26. 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 owners 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 for items held at amortised cost

	Group carrying value		Company carrying value	
	30 June 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Financial assets				

Loans and receivables

Amounts owed by subsidiary undertakings	—	—	109,889	75,226
Trade receivables	19,594	13,226	4,923	3,827
Other receivables	3,573	1,126	597	—
Cash and cash equivalents and term deposits	70,667	58,695	61,953	50,931
Total financial assets	93,834	73,047	177,362	129,984

Financial liabilities

Other financial liabilities at amortised cost

Trade and other payables ¹	(19,335)	(14,893)	(16,324)	(11,436)
Amounts owed to subsidiary undertakings	—	—	(28,296)	(12,583)
Total financial liabilities	(19,335)	(14,893)	(44,620)	(24,019)

1 Financial liabilities at amortised cost within trade and other payables consist of trade payables, accruals, 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 due to their short-term nature.

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

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

30 June 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Derivative financial instruments	—	3,479	—	3,479
Available-for-sale asset	—	—	678	678
Total assets	—	3,479	678	4,157
Liabilities				
Derivative financial instruments	—	(742)	—	(742)
Total liabilities	—	(742)	—	(742)

There were no transfers between levels during the year.

Level 2 derivative financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

The Level 3 available-for-sale asset is an equity instrument which has been admitted to the Taiwan Emerging Stock Board (TESB) during the year. This is the first stage of the listing process for the Taiwanese Stock Exchange. The Directors consider that the conditions for an active market have not been met and have therefore determined the fair value of the equity investment to be in line with original cost less any provision for impairment. Had the fair value been based on the traded price at the year end an immaterial uplift would have arisen.

The Level 3 contingent consideration and fees payable were recognised as part of the AxioMx acquisition in November 2015. As part of the total consideration the Group has agreed to pay the selling shareholders additional consideration of up to \$23.5m and related legal fees of up to \$1.5m if predetermined milestones are met. The milestones are based on further intellectual property and technology development targets. The achievement of milestones will be assessed quarterly and some or all of the consideration payable may fall due at any of the assessment dates up to the final maturity dates, ranging from November 2017 to November 2020. The consideration payable will be settled in the same ratio as the initial consideration, 60% in cash and 40% in equity.

The fair value is calculated based on management's best estimate of the likely achievement of each milestone and the expected achievement timing. The post tax discount rate used in assessing the fair value was 15%. It is most sensitive to changes in the estimated probability of performance. The effect of a 5% decrease/increase in the probability profile for each milestone would result in a change in liability of -\$0.8m/+\$0.7m.

The movement in the fair value in the period is shown below:

	Total £000
At 1 July 2015	—
Created on acquisition (note 29)	10,173
Unwinding of discount	1,050
Exchange differences	1,677
At 30 June 2016	12,900
Payable within six months ¹	1,990
Payable between six to 12 months	—
Payable between 12 months and five years contingent on achievement	10,910
	12,900

¹ At 30 June 2016, as part of the quarterly assessment, two targets were deemed achieved, meaning a total of \$2.7m (£2.0m) will be due for payment in the quarter ending 30 September 2016. This amount has been disclosed within current liabilities on the balance sheet.

See note 29 for more information in relation to the contingent consideration liability arising from the business combination.

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. It reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every six months, in line with the Group's reporting dates.

Risk management in relation to 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 trade receivables 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 36.5 days (2015: 32.5 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 30 days, as well as observable changes in international or local economic conditions.

The standard payment term for intra-group receivables is 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 the Group's liquid funds and derivative financial instruments is limited. The counterparties are major financial institutions and funds and transactions are spread across a number of these to help reduce any single exposure. The Group monitors the credit rating of the major institutions on a quarterly basis to identify any indicators that may lead to future difficulties. 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, Japanese Yen and Chinese Renminbi.

Currency risk

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

The Group undertakes transactions denominated in foreign currencies and therefore has exposure to both the transactional and translational risks associated with currency fluctuations. The Group's policy is to maintain natural hedges, where possible, by

matching foreign currency revenue and receivables against expenditure and payables of the same currency. Any remaining net exposure is identified and managed within approved policy parameters using 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 2016 £000	30 June 2015 £000	30 June 2016 £000	30 June 2015 £000
Euros	(255)	(241)	4,856	7,172
US Dollars	(29,427)	(12,969)	24,064	10,954
Canadian Dollars	(459)	—	861	—
Japanese Yen	(39)	(21)	1,379	3,724
Chinese Renminbi	(2,067)	—	5,040	4,347
Australian Dollars	(2)	—	640	816
Hong Kong Dollars	—	—	482	139
	(32,249)	(13,231)	37,322	27,152

Currency risk sensitivity analysis

The Group's principal functional currency is Sterling. The Group is mainly exposed to fluctuations in US Dollars, Euros, Japanese Yen and Chinese Renminbi (RMB) exchange rates.

The following table details the Group's sensitivity to a 15% increase and decrease in the Sterling exchange rate against the relevant foreign currencies on the Group's profit before tax and equity. 15% represents management's assessment of the reasonable possible change in foreign exchange rates, an increase from prior year as a result of the recent volatility experienced in relation to the Brexit decision. 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 a 15% 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 other comprehensive income.

	US Dollar currency impact		Euro currency impact		Yen currency impact		RMB currency impact	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Effect of a 15% strengthening of GBP against the relevant currency:								
Income statement	623	436	688	516	322	277	439	332
Other comprehensive income	3,140	1,973	4,494	1,875	1,628	520	66	—
Effect of a 15% weakening of GBP against the relevant currency:								
Income statement	(843)	(512)	(931)	(606)	(435)	(325)	(583)	(390)
Other comprehensive income	(3,330)	(2,315)	(6,080)	(2,202)	(2,202)	(611)	(84)	—

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.

Currency risk management

Forward exchange contracts

It is the policy of the Group to enter into forward exchange contracts to manage the risk associated with sales transactions expected to occur up to 18 months ahead. The Group uses a layered contract approach to build between 30% to 95% coverage of the exposure generated.

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 maturity profile of the forward exchange contracts outstanding as at the year end:

Outstanding contracts	Average rate 30 June 2016	Foreign currency 30 June 2016 000	Contract value 30 June 2016 £000	Fair value 30 June 2016 £000
Sell US Dollars				
Less than 3 months	1.53	\$10,122	6,627	(940)
3 to 6 months	1.52	\$7,625	5,002	(698)
7 to 12 months	1.48	\$15,094	10,194	(1,050)
13 to 18 months	1.47	\$5,863	3,994	(349)
	1.50	\$38,704	25,817	(3,037)
Sell Euros				
Less than 3 months	1.37	€9,427	6,859	(1,030)
3 to 6 months	1.36	€10,929	8,043	(1,157)
7 to 12 months	1.32	€18,885	14,310	(1,639)
13 to 18 months	1.28	€7,904	6,151	(542)
	1.33	€47,145	35,363	(4,368)
Sell Yen				
Less than 3 months	182.13	¥337,224	1,852	(614)
3 to 6 months	175.49	¥552,379	3,148	(910)
7 to 12 months	168.97	¥841,098	4,977	(1,229)
13 to 18 months	158.90	¥297,713	1,874	(340)
	171.16	¥2,028,414	11,851	(3,093)
Sell Chinese Renminbi				
Less than 3 months	8.88	¥4,400	495	6
3 to 6 months	8.94	¥3,300	369	5
	8.91	¥7,700	864	11
Total of outstanding forward contracts			73,895	(10,487)

Outstanding contracts	Average rate 30 June 2015	Foreign currency 30 June 2015 000	Contract value 30 June 2015 £000	Fair value 30 June 2015 £000
Sell US Dollars				
Less than 3 months	1.63	\$12,600	7,707	(307)
3 to 6 months	1.63	\$11,037	6,762	(260)
7 to 12 months	1.56	\$18,289	11,738	95
13 to 18 months	1.54	\$9,181	5,976	131
	1.59	\$51,107	32,183	(341)
Sell Euros				
Less than 3 months	1.23	€7,502	6,100	773
3 to 6 months	1.25	€9,646	7,721	857
7 to 12 months	1.31	€16,197	12,399	761
13 to 18 months	1.36	€6,908	5,094	62
	1.29	€40,253	31,314	2,453
Sell Yen				
Less than 3 months	171.36	¥344,314	2,009	217
3 to 6 months	174.53	¥339,272	1,944	174
7 to 12 months	181.24	¥750,555	4,141	208
13 to 18 months	185.98	¥250,274	1,346	26
	178.43	¥1,684,415	9,440	625
Total of outstanding forward contracts			72,937	2,737

At 30 June 2016, the fair value of contracts held as cash flow hedges is a liability of £8.6m (2015: asset of £2.2m). The remaining contracts are not held as cash flow hedges. The loss on the financial instruments at fair value through the profit and loss account was £2.4m (2015: £0.3m). The loss of £10.8m (2015: gain of £1.1m) recognised through other comprehensive income is the combination of fair value losses in the year of £8.6m (2015: gains of £2.1m) and transfers to the income statement of £2.2m (2015: £1.1m).

Hedge of net investment in foreign entities

The Group's US Dollar denominated contingent consideration amounting to \$17.2m (2015: \$nil) is designated as a hedge of the net investment in the Group's US subsidiaries. The foreign currency gain of £1.7m (2015: £nil) on translation of the contingent consideration to Sterling at the year end is recognised in other comprehensive income to match the hedged portion of the translation loss of the US subsidiary results.

Liquidity risk

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

The Group manages liquidity risk by maintaining adequate levels of easily accessible cash reserves and banking facilities, regularly monitoring cash flows and matching the maturity profiles and currencies of financial assets and liabilities where possible.

The Group and the Company may hold fixed term deposits with a maturity of up to five years, which is the maximum maturity for the Group's investment decisions. At 30 June 2016, fixed term deposits represented 2.5% of total funds and had an average maturity of 67 days (2015: 430 days).

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.

Outstanding obligations

All trade and other payable balances include any accrued interest that will become due for payment. The maturity profile of the Group's and the Company's financial liabilities is shown below.

	Less than six months £000	Between six months and one year £000	Total £000
Group			
2016			
Trade and other payables	(18,052)	(1,283)	(19,335)
	(18,052)	(1,283)	(19,335)
Company			
2016			
Trade and other payables	(15,579)	(745)	(16,324)
Trade and other payables owed to subsidiary undertakings	(21,495)	—	(21,495)
Loans payable to subsidiary undertakings	(6,801)	—	(6,801)
	(43,875)	(745)	(44,620)

	Less than six months £000	Between six months and one year £000	Total £000
Group			
2015			
Trade and other payables	(14,345)	(548)	(14,893)
	(14,345)	(548)	(14,893)
Company			
2015			
Trade and other payables	(10,957)	(479)	(11,436)
Trade payables owed to subsidiary undertakings	(5,938)	(865)	(6,803)
Loans payable to subsidiary undertakings	—	(5,780)	(5,780)
	(16,895)	(7,124)	(24,019)

Trade payables are normally payable within 30 days of invoice and the standard payment terms for intra-group receivables are 45 days. Sufficient funds are readily available to the Company to meet operational requirements.

Interest rate risk

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

As the Group and the Company do not hold any external debt, exposure to interest rate risk is minimal. In addition, the Group is not dependent on income from investment returns to settle operational obligations.

The Group requires flexible access to funds; therefore, the majority are held in variable rate instant access deposit accounts with a small percentage held in fixed rate deposits. Market yields are currently low and therefore the negative impact of an interest rate reduction in the Group's income statement is limited. The fixed rate deposits are not sensitive to interest rate changes.

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 £158,000 (2015: £144,000) and by the Company of £139,000 (2015: £126,000). 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 £158,000 (2015: £144,000) and by the Company of £139,000 (2015: £126,000). 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 reasonable possible change in interest rates likely in the preceding financial year.

27. Share-based payments

Equity-settled share option scheme

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

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

The volatility of the options is based on the average of standard deviations of daily continuous returns on Abcam plc shares. 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 equity-settled share-based payments expense of £1,962,000 in the year (2015: £1,747,000), of which £1,627,000 (2015: £1,251,000) was included within administration and management expenses and £301,000 (2015: £496,000) was included within R&D expenses.

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

Options outstanding as at 30 June 2016 had an exercise price of between 62 pence and 598 pence (2015: 56 pence and 464 pence). The weighted average remaining contractual life is 7.09 years (2015: 7.28 years). The weighted average fair value of the options outstanding at the end of the year was 90.78 pence (2015: 87.28 pence). The Group recorded a total share-based payments expense of £151,500 (2015: £309,000) in the year relating to all schemes excluding the SIP, LTIP and deferred share awards.

	2016			2015		
	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence
Outstanding at beginning of year	2,145,081	364.6	—	2,035,466	331.8	—
Granted during year	423,706	598.0	—	569,094	406.0	—
Forfeited during year	(396,119)	473.0	—	(95,525)	411.5	—
Exercised during year	(442,861)	325.4	605.4	(363,954)	244.8	448.5
Outstanding at end of year	1,729,807	407.3	—	2,145,081	364.6	—
Exercisable at end of year	431,614	250.2	—	741,511	250.3	—

Enterprise Management Incentive (EMI) scheme

	2016			2015		
	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence
Outstanding at beginning of year	38,920	60.4	—	147,495	58.9	—
Forfeited during year	(2,850)	62.4	—	—	—	—
Exercised during year	(36,070)	60.3	656.2	(108,575)	58.3	422.7
Outstanding at end of year	—	—	—	38,920	60.4	—
Exercisable at end of year	—	—	—	38,920	60.4	—

The size of the Group means that since 2009 it is no longer able to grant awards under the EMI scheme.

All outstanding vested options have now been exercised or forfeited. No further options remain outstanding under this scheme.

Unapproved Share Option Plan

	2016			2015		
	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence
Outstanding at beginning of year	170,460	62.4	—	170,460	62.4	—
Exercised during year	—	—	—	—	—	—
Outstanding at end of year	170,460	62.4	—	170,460	62.4	—
Exercisable at end of year	170,460	62.4	—	170,460	62.4	—

Any new grants of unapproved options are now being made under the Abcam 2005 Share Option Scheme and included in the disclosure for that scheme.

The vesting dates and expected cash receivable on exercise relating to the options outstanding are detailed in the table below.

Vesting date	Expiry date	2016			2015		
		Number of options outstanding	Exercise price pence	Cash receivable on exercise £000	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000
8 November 2010	8 November 2017	170,460	62.4	106	170,460	62.4	106
Total		170,460		106	170,460		106

The Abcam 2005 Share Option Scheme

	2016			2015		
	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence
Outstanding at beginning of year	1,474,458	403.2	—	1,188,908	395.5	—
Granted during year	408,141	598.0	—	489,700	406.0	—
Forfeited during year	(340,322)	482.1	—	(56,319)	418.6	—
Exercised during year	(281,418)	357.1	602.4	(147,831)	344.7	478.8
Outstanding at end of year	1,260,859	455.2	—	1,474,458	403.2	—
Exercisable at end of year	179,550	383.6	—	352,435	330.4	—

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

Vesting date	Expiry date	2016			2015		
		Number of options outstanding	Exercise price pence	Cash receivable on exercise £000	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000
6 November 2011	6 November 2018	21,550	92.4	20	34,200	92.4	32
9 November 2012	9 November 2019	—	—	—	25,875	180.8	47
2 December 2013	2 December 2020	12,391	345.0	43	52,788	345.0	182
1 November 2014	1 November 2021	56,983	370.0	211	122,452	370.0	453
1 November 2014	1 November 2022	34,244	385.0	132	117,120	385.0	451
1 November 2015	1 November 2022	54,382	385.0	209	118,998	385.0	458
1 November 2016	1 November 2022	53,780	464.0	250	72,295	385.0	278
25 November 2015	25 November 2023	92,110	385.0	355	204,626	464.0	949
25 November 2016	25 November 2023	112,279	464.0	521	149,517	464.0	694
25 November 2017	25 November 2023	66,549	460.0	270	102,377	464.0	475
4 November 2016	4 November 2024	171,674	464.0	797	221,856	406.0	901
4 November 2017	4 November 2024	123,774	406.0	503	141,357	406.0	574
4 November 2018	4 November 2024	85,893	406.0	349	110,997	406.0	451
26 October 2017	26 October 2025	187,160	598.0	1,119	—	—	—
26 October 2018	26 October 2025	94,420	598.0	565	—	—	—
26 October 2019	26 October 2025	93,670	598.0	560	—	—	—
Total		1,260,859		5,904	1,474,458		5,945

The Abcam CSOP

	2016			2015		
	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence	Number of share options	Weighted average exercise price pence	Weighted average share price at date of exercise pence
Outstanding at beginning of year	461,243	378.7	—	528,603	359.4	—
Granted during year	15,565	598.0	—	79,394	406.0	—
Forfeited during year	(52,947)	437.2	—	(39,206)	401.3	—
Exercised during year	(125,373)	330.6	597.5	(107,548)	295.8	432.9
Outstanding at end of year	298,488	402.1	—	461,243	378.7	—
Exercisable at end of year	81,604	349.1	—	179,696	312.7	—

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

Vesting date	Expiry date	2016		2015	
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		Number of options outstanding	Exercise price pence	Cash receivable on exercise on exercise £000	Number of options outstanding	Exercise price pence	Cash receivable on exercise on exercise £000
9 November 2012	9 November 2019	17,300	180.8	31	45,560	180.8	82
2 December 2013	2 December 2020	25,847	345.0	89	67,308	345.0	232
1 November 2014	1 November 2021	38,457	370.0	142	66,828	370.0	247
1 November 2015	1 November 2022	61,501	385.0	237	103,352	385.0	398
25 November 2016	25 November 2023	95,365	464.0	442	109,349	464.0	507
4 November 2017	4 November 2024	52,396	406.0	213	68,846	406.0	280
26 October 2018	26 October 2025	7,622	598.0	46	—	—	—
Total		298,488		1,200	461,243		1,746

Option fair values

The Abcam 2005 Share Option Scheme and Abcam CSOP

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

The Abcam 2005 Share Option Scheme

Grant date	4 November 2014	4 November 2014	4 November 2014	26 October 2015	26 October 2015	26 October 2015
Share price at grant (pence)	406.0	406.0	406.0	595.5	595.5	595.5
Fair value at valuation date (pence)	66.0	75.0	97.0	110.0	114.0	125.0
Exercise price (pence)	406.0	406.0	406.0	595.5	595.5	595.5
Expected volatility	25%	25%	30%	26%	24%	25%
Expected life (years)	5	6	7	5	6	7
Expected dividend yield	1.91%	1.91%	1.91%	1.38%	1.38%	1.38%
Risk-free rate	0.78%	1.10%	1.37%	0.52%	0.75%	0.98%
Employee exercise multiple	2	2	2	2	2	2
Employee exit rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Abcam CSOP

Grant date	4 November 2014	26 October 2015
Share price at grant (pence)	406.0	595.5
Fair value at valuation date (pence)	77.0	116.0
Exercise price (pence)	406.0	595.5
Expected volatility	25%	24%
Expected life (years)	6	6
Expected dividend yield	1.91%	1.38%
Risk-free rate	1.10%	0.75%
Employee exercise multiple	2	2
Employee exit rate	0.00%	0.00%

Share Incentive Plan

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

	Number of Free Shares		Number of Matching Shares	
	2016	2015	2016	2015
Outstanding at beginning of year	571,679	576,230	156,065	159,230
Granted during year	141,374	165,318	34,303	42,025
Forfeited during year	(40,041)	(40,497)	(38,767)	(11,365)
Released during year	(101,512)	(129,372)	—	(33,825)
Outstanding at end of year	571,500	571,679	151,601	156,065
Exercisable at end of year	239,141	240,245	42,488	64,662

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 £641,800 (2015: £586,000) in the year relating to Matching and Free Share awards.

Long Term Incentive Plan

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

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

	Year ended 30 June 2016	Year ended 30 June 2015
Outstanding at beginning of year	941,309	1,168,872
Granted during year	384,565	150,333
Forfeited during year	(193,301)	(307,592)
Exercised during year ¹	(81,969)	(70,304)
Outstanding at end of year	1,050,604	941,309
Exercisable at end of year	261,106	451,934

¹ The weighted average sales price for exercises in the year was 580 pence (2015: 402 pence). Of the 81,969 options exercised during the year 5,008 were exercised in exchange for cash (2015: 304).

The aggregates of the fair values of the awards made in the year were £95,621, £260,904, £100,663, £947,449, £181,198 and £554,306, granted on 6 July 2015, 3 August 2015, 6 November 2015, 10 November 2015, 25 January 2016 and 21 March 2016 respectively (2015: £538,837).

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

Grant date	6 July 2015	3 August 2015		6 November 2015		10 November 2015	25 January 2016	21 March 2016
Expected volatility	24%	24%	24%	25%	29%	29%	24%	25%
Expected life (years)	3	3	3	4	5	6	2	3
Expected dividend yield	1.57%	1.34%	1.37%	1.37%	1.37%	1.37%	1.43%	1.28%
Risk-free rate	0.96%	0.95%	0.98%	1.21%	1.42%	1.59%	0.49%	0.67%

The Group recognised an expense of £695,800 (2015: £166,000) in the year related to performance share awards under the LTIP.

Annual Bonus Plan – deferred share award

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

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

	Year ended 30 June 2016	Year ended 30 June 2015
Outstanding at beginning of year	185,855	68,886
Granted during year	83,541	118,229
Forfeited during year	(17,690)	(1,260)
Exercised during year	(14,761)	—
Outstanding at end of year	236,945	185,855
Exercisable at end of year	54,039	—

The aggregate of the fair values of the awards granted on 26 October 2015 was £342,800 (2015: £509,600).

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

Grant date	8 September 2014	10 October 2015
Expected volatility	32%	24%
Expected life (years)	3	3
Expected dividend yield	1.71%	1.91%
Risk-free rate	0.87%	1.10%

The Group recognised an expense of £338,000 (2015: £500,800) in the year related to deferred share awards under the Annual Bonus Plan.

Non-Executive Directors – share award

During the year the Company approved a new component to the Non-Executive Directors' remuneration, whereby a portion of the annual fees agreed would be deferred in shares. The number of deferred shares granted will be settled in the open period following the completion of the one year vesting period. The Group recognised an expense of £135,300 (2015: £nil) in the year related to these share awards under the Non-Executive Directors' share plan.

Cash-settled share option scheme

In addition to the equity-settled schemes the Group operates a cash-settled scheme for certain overseas employees. The total charge for the year was £281,000 (2015: £144,000).

28. 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.

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

The total cost charged to the income statement in respect of these schemes during the year ended 30 June 2016 was £2,235,000 (2015: £1,689,000). As at 30 June 2016 contributions of £181,000 (2015: £156,000) due in respect of the current reporting period had not been paid over to the schemes.

29. Business combinations

On 11 November 2015 the Group completed the acquisition of 100% of the issued share capital of a private Delaware corporation, AxioMx Inc. Upfront consideration, including payments for working capital, of \$19.3m was exchanged on the acquisition date with a payment of \$2.4m made after the acquisition to settle pre-existing liabilities to largely offset the \$2.0m cash and cash equivalents acquired. Further consideration payments of up to \$23.5m and related fees up to \$1.5m will be payable on successful completion of future development and technology milestones. As a result of the acquisition, Abcam now has access to AxioMx's technology, which potentially provides scalable capabilities to produce highly validated recombinant monoclonal antibodies within weeks (significantly faster than in vivo methods).

The goodwill of \$18.5m (£12.1m) arising from the acquisition consists largely of the production opportunities derived from the acquired technology and the value of the highly knowledgeable and skilled workforce. The tax benefit recognised within goodwill in relation to the acquired AxioMx losses has been concluded by a section 382 loss analysis.

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

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

Total consideration	22,210
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Consideration at 11 November 2015

	£000
Cash	7,584
Equity	5,047
Contingent consideration – cash	5,747
Contingent consideration – equity	3,832
Total consideration	22,210

Cash consideration	7,584
Cash and cash equivalents acquired	(1,326)
Net cash outflow arising on acquisition	6,258

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

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

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

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

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

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

Details of prior year acquisition

Firefly BioWorks Inc – restated

On 23 January 2015 the Group acquired 100% of the share capital of Firefly BioWorks Inc (Firefly), a private company incorporated in the United States specialising in novel assay technologies, for \$26.4m. A further payment of \$1.6m was made after the acquisition to settle pre-existing liabilities. As a result of the acquisition, the Group has an extended product portfolio covering microRNA research products. In addition to sample testing services income, the first significant sales of these products were recorded towards the end of the year. In addition the Group is expecting to leverage the acquired technology to produce a new series of protein immunoassays.

As stated in note 3, during the year the Group finalised the fair values arising on the acquisition. The resulting adjustment relates to recognition of a deferred tax asset and is reflected in the table below.

The goodwill of \$9.2m (£6.1m) arising from the acquisition consists largely of the product pipeline opportunities and alternative future uses to be derived from the acquired technology and the value of the highly knowledgeable and skilled workforce. None of the goodwill recognised is expected to be deductible for corporation tax purposes.

The following table summarises the consideration paid for Firefly and the fair value of the assets acquired and liabilities assumed at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed	Fair value £000	Measurement period adjustment	Fair value £000
	Provisional	£000	Restated
Non-current assets			
Intangible assets (note 13)	17,704	—	17,704
Deferred tax asset	—	1,882	1,882
Current assets			
Cash and cash equivalents	224	—	224
Trade and other receivables	21	—	21

Current liabilities			
Trade and other payables	(1,323)	—	(1,323)
Non-current liabilities			
Deferred tax liability	(7,082)	—	(7,082)
Total identifiable assets acquired	9,544	1,882	11,426
Goodwill	8,013	(1,882)	6,131
Total consideration	17,557	—	17,557

Consideration at 23 January 2015			£000
Cash			17,557
Total consideration transferred			17,557
Cash and cash equivalents acquired			(224)
Net cash outflow arising on acquisition			17,333

Acquisition-related expenses totalling £0.3m are included within administrative expenses in the consolidated income statement for the year ended 30 June 2015.

The fair value of the acquired identifiable intangible assets consists of £17.1m of in-progress R&D and £0.6m of software. The values have been formally assessed by a third party valuation expert. A related deferred tax liability of £7.1m has also been recognised. The book value has been deemed by the Directors to equate to the fair value for the remaining balance sheet accounts.

During the period from the date of acquisition to 30 June 2015, Firefly contributed £0.2m to the Group's revenue from sales to third parties and a loss before tax of £1.0m over the same period.

Had Firefly been consolidated from 1 July 2014, the consolidated income statement for the year ended 30 June 2015 would show pro-forma revenue of £144.1m and profit before tax of £43.6m.

30. Related party transactions

Remuneration of key management personnel

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

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

The Non-Executive Directors' fees for the year ended 30 June 2016 represent amounts received in cash and an element receivable in shares. Further information about the remuneration of individual Directors is provided in the audited section of the Directors' Remuneration Report.

	30 June 2016 £000	30 June 2015 £000
Group and Company		
Short-term employee benefits and fees	4,204	3,778
Post-employment benefits	84	64
Share-based payments charge	458	190
	4,746	4,032

Directors' transactions

Dividends totalling £2,203,000 were paid in the year in respect of ordinary shares held by the Company's Executive and Non-Executive Directors.

During the year the Group entered into a licence and supply agreement for access to knock-out cell lines with Horizon Discovery Group plc, of which Jonathan Milner is a non-executive director. A total of £220,000 (2015: £nil) has been paid during the year under the terms of the agreement with additional product related fees of £4,700 (2015: £7,200). Total sales of £53,000 have been made during the year to companies of which Jonathan is the Chairman or a significant investor.

The Group has also made a software subscription purchase from Dynamic Action for £35,000 (2015: £60,000), of which Michael Ross is a director, and a payment of £6,000 (2015: £nil) to Mara Aspinall for consultancy services in addition to her Non-Executive Directorship fee.

Company transactions with its subsidiaries

The Company provided goods for resale to, purchased goods from, 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 2016 £000	30 June 2015 £000
Sales of goods	98,737	76,308
Purchase of goods	(6,525)	(11,887)
Fees related to intra-group trading	(15,545)	(1,004)

Amounts remaining outstanding at the year end can be seen in the notes to the Company balance sheet.

Company transactions with its subsidiaries in relation to the prior year

Ascent Scientific Ltd intra-group trade transfer

During the year ended 30 June 2015 the decision was made to hive-up the trade of Ascent Scientific Ltd (Ascent) into Abcam plc. Consequently on 30 June 2015 the trade and net assets of Ascent were transferred to the Company at their book value.

The cost of the Company's investment in that subsidiary undertaking reflected the fair value of net assets and goodwill assessed at the time of acquisition to the Abcam Group (12 September 2011). As a result of the transfer, the value of the Company's investment in Ascent fell below the amount at which it was stated in the Company's balance sheet.

Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the Directors consider that, as there has been no overall economic loss to the Company, it would fail to give a true and fair view to charge that diminution to the profit and loss account for the year and it should instead follow predecessor accounting, reallocating the cost to goodwill and the identifiable fair value of net assets transferred. The allocation between assets acquired has been taken with reference to the original values assessed formally at the date Ascent was acquired by the Abcam Group.

The following table summarises the impact of adopting predecessor accounting for the trade transfer on the Company balance sheet:

	Fair value recognised £000
Non-current assets	
Intangible assets	602
Property, plant and equipment	134
Current assets	
Cash and cash equivalents	54
Inventories	1,596
Trade and other receivables	96
Current liabilities	
Trade and other payables	(82)
Non-current liabilities	
Deferred tax	(119)
Total identifiable assets recognised	2,281
Cash consideration	1,798
Reduction in carrying value of investment	8,370
Recognised directly in equity ¹	(229)
Total consideration	9,939
Goodwill recognised	7,658

¹ Amounts recognised directly to equity represent the change in the net assets of Ascent since acquisition on 12 September 2011.

The Group financial statements for the year ended 30 June 2015 were not affected by this transfer.

31. 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 2016 of £45.9m (2015: £40.4m).

32. Consolidated adjusted financial measures

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Profit before tax	45,412	46,099
Acquisition costs	466	335
Integration costs	480	24
System and process improvement costs	3,955	—
Unwinding of discount factor on contingent consideration and fees	1,050	—
Prior year R&D tax credit	(1,308)	—
Amortisation of acquisition-related intangible assets	3,727	3,118
Adjusted profit before tax	53,782	49,576

	Year ended 30 June 2016		Year ended 30 June 2015	
	£000	%	£000	%
Operating profit / margin	46,318	27.0	45,727	31.7
Acquisition costs	466		335	
Integration costs	480		24	
System and process improvement costs	3,955		—	
Prior year R&D tax credit	(1,308)		—	
Amortisation of acquisition-related intangible assets	3,727		3,118	
Adjusted operating profit / margin¹	53,638	31.2	49,204	34.2

1 Adjusted operating margin is adjusted operating profit divided by revenue.

	Year ended 30 June 2016		Year ended 30 June 2015	
	£000	%	£000	%
Operating profit	46,318		45,727	
Depreciation and amortisation	11,355		8,038	
EBITDA / margin²	57,673	33.6	53,765	37.3
Acquisition costs	466		335	
Integration costs	480		24	
System and process improvement costs	2,645		—	
Prior year R&D tax credit	(1,308)		—	
Adjusted EBITDA / margin³	59,956	34.9	54,124	37.6

2 EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA margin is EBITDA divided by revenue.

3 Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

The reconciliation of adjusted EPS is included in note 11.

33. Post balance sheet event

Subsequent to the year end, a further milestone was successfully achieved in relation to the contingent consideration recognised as part of the Axiomx Inc acquisition. An additional \$2.5m of the consideration has therefore become due (60% cash, 40% equity)