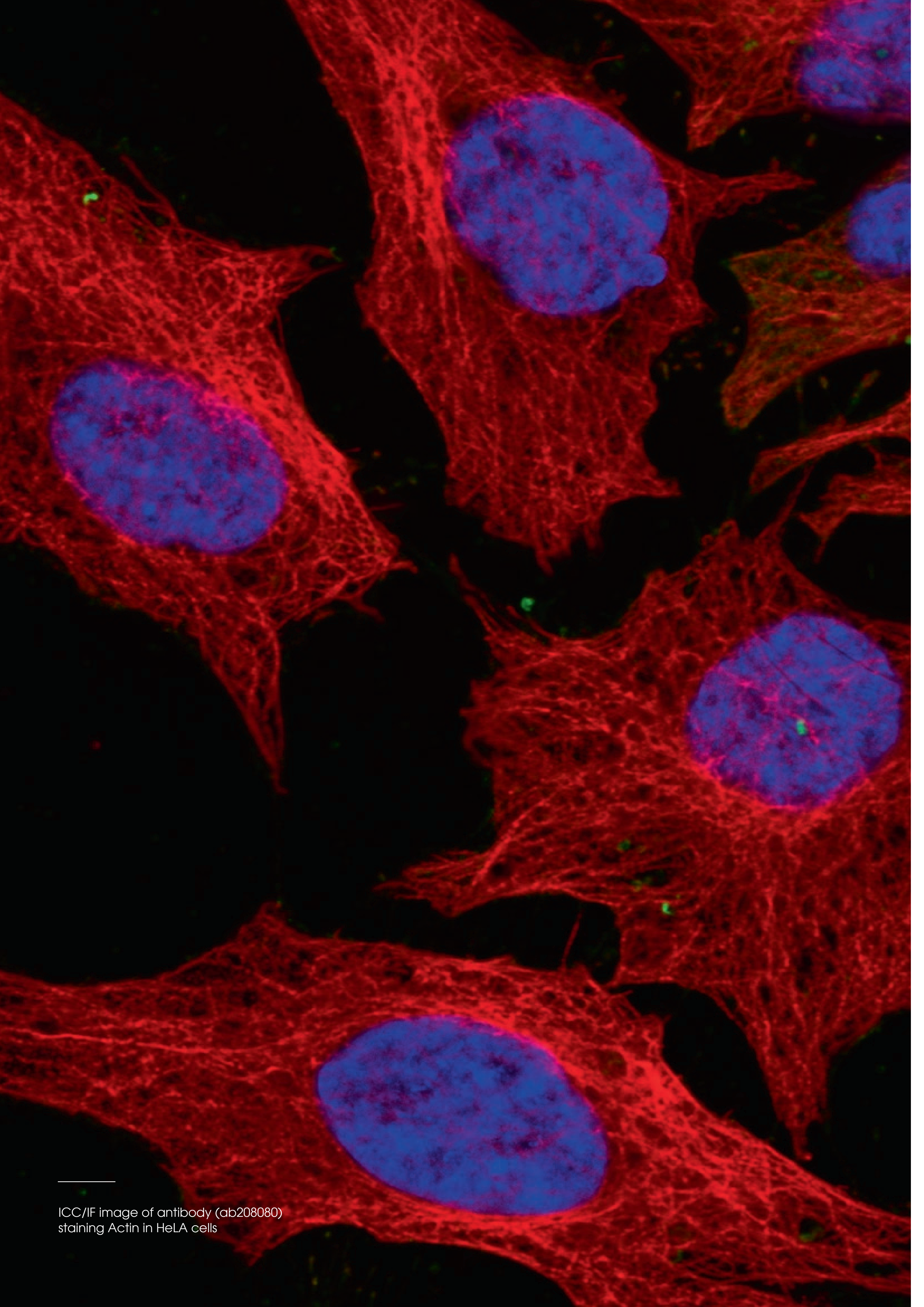
abcam

Abcam plc Annual Report and Accounts 2016

We aspire to be the most influential life sciences company for researchers worldwide



ICC/IF image of antibody (ab208080)
staining Actin in HeLA cells

Delivering strong revenue performance whilst investing in the next chapter of Abcam's growth.

We are committed to serving life science researchers to achieve their mission faster. We continue to identify the biological pathways of greatest interest to our consumers and continuously strive to provide products of the highest quality with increased specificity, reproducibility and sensitivity. At the same time, through investment and acquisition, we are expanding into new markets, identifying new technologies and applications while moving into new geographic regions, thereby driving sustainable growth.

View the technical glossary on pages 99 and 100

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Highlights of our year

Abcam is successfully transitioning from a small high growth company to a substantial, sustainable growth business. This has been achieved by continuing to leverage our market leadership position in core primary antibody products, while increasing market share in non-antibody products. We have experienced a period of significant financial and operational growth as we deliver against our challenging goals. Our success gives us confidence in our strategy and in the long-term future of Abcam.

Financial highlights

- Product 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

* 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.

Abcam at a glance

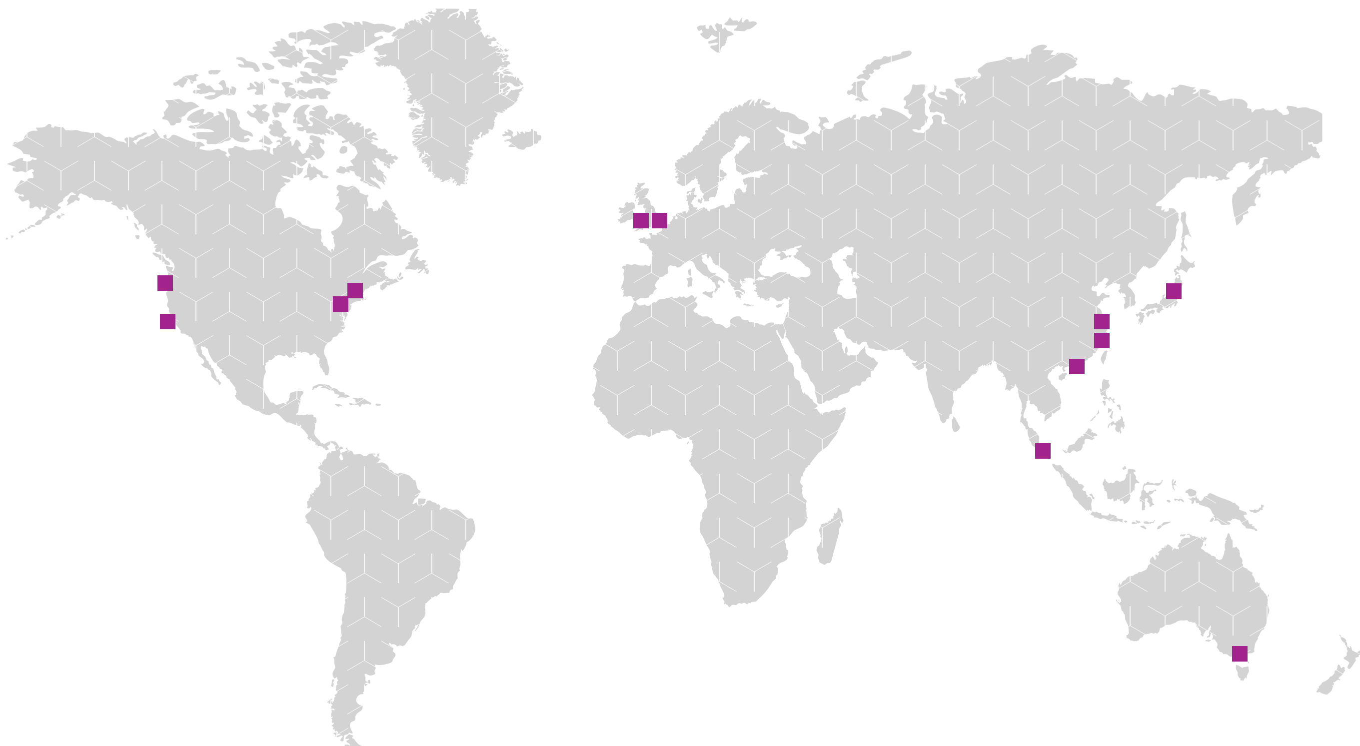
Vision

To be the most influential life sciences company for researchers worldwide

Mission

To serve life scientists to achieve their mission, faster

We are a global life sciences company providing highly validated antibodies and other binders and assays to the research and clinical communities to help advance the understanding of biology and causes of disease.



Headquartered in Cambridge, UK, we employ over 900 people across twelve locations serving researchers in more than 100 countries.

By listening to our consumers and advancing our product portfolio to meet their needs, we have become a leader in primary antibodies worldwide with over 21% of the primary antibodies market. We are also growing our market share across all other categories.

100+
countries delivered to worldwide

900+
employees

Chairman's introduction

Murray Hennessy
Chairman

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. A summary of the evaluation is on page 25.

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

Our business model

Our business model is designed to deliver sustainable long-term value for all our stakeholders.

Core purpose

At Abcam we are focused on providing research antibodies and other research tools to serve life scientists and enable our consumers to achieve their mission faster. These products allow research into the role of signalling and regulatory molecules and proteins in biological pathways, ultimately leading to treatments for diseases such as cancer and immune deficiency disorders. Our catalogue includes approximately 128,000 diverse products and, including our revenues from custom products and licensing, 41.5% of our total revenue is now derived from our in-house manufactured products and innovation.

Creating value

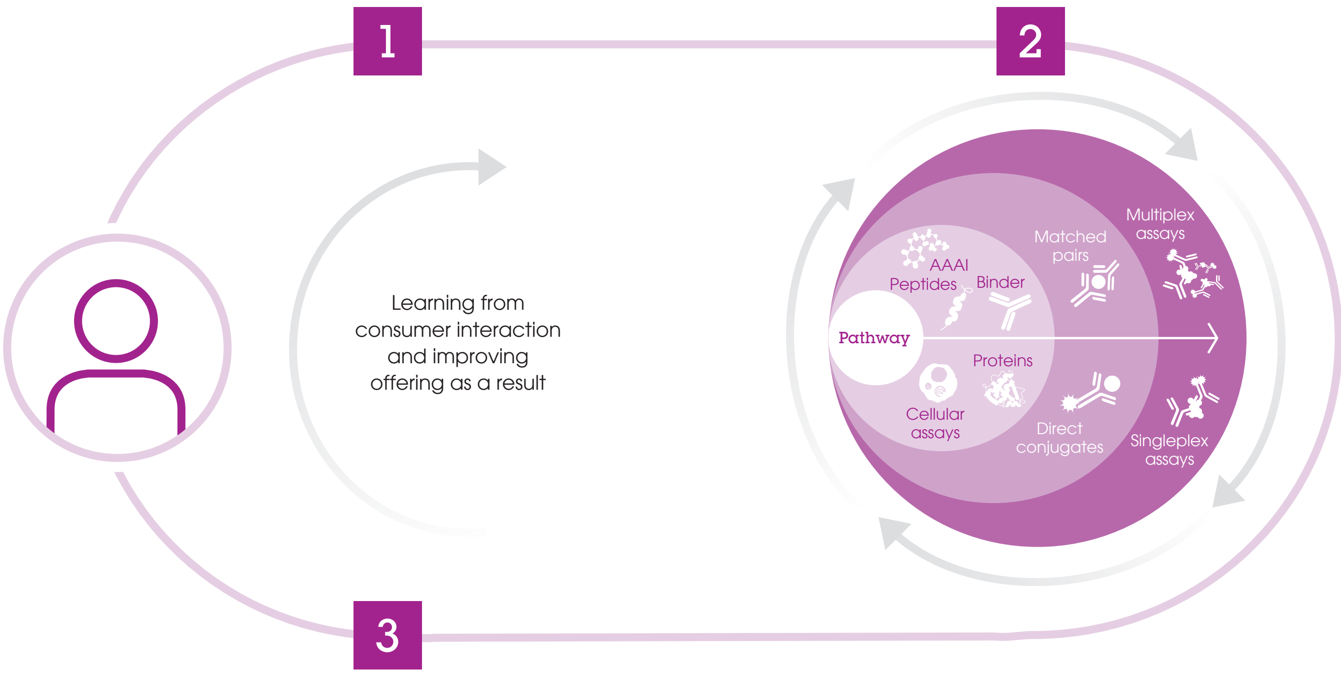
From Abcam's inception, we have increased the value of our products by adding performance data that is readily accessible to our consumers. We are now expanding how we add value by increasing the feedback mechanisms for consumers, acting on these insights and providing products for difficult targets.

Broadening our offering

We constantly review opportunities to expand our offering to consumers by broadening our product range, improving speed to market and accessing underpenetrated consumer groups in the markets we serve. One area that has become increasingly attractive to us is broadening Abcam's offerings as a development and supply partner in the diagnostics market. Although nascent, we have seen some exceptional success partnering with major diagnostic companies, particularly with an emerging therapeutic target, PD-L1.

Gain insights into how researchers work and what they need

Prioritise high-value pathways and targets and tailor and extend product portfolio



Quickly offer what consumers need through digital and offline channels

CEO's review and operational report

Alan Hirzel
Chief Executive Officer

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.

CEO's review and operational report continued

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.

Read more about our achievements against these priorities on pages 11 and 12.

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.

AxioMx, 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, AxioMx 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 AxioMx 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 AxioMx 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. It shows strong revenue growth, and further information about our markets can be found on page 10 of this report.

	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 licensing[1]	**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 markets

Key markets and trends

Our marketplace

Antibodies and associated life science research reagents have a broad range of commercial applications. A full glossary of technical terminology is on pages 99 and 100.

The global life science research tools market is estimated to be $2.7bn from which the primary antibody research sector is estimated at $900m and where Abcam continues to retain market leadership.

The pharmaceutical industry continues to invest *in vitro* diagnostics (IVD) and we plan to invest more resources into IVD.

Main geographic markets

As with the overall global economy, there are some pockets of funding challenges in the life sciences sector, although this varies regionally. Our approach is to understand the drivers for research and development (R&D) funding across the different regions, so we can provide the most efficient and effective solutions that best serve consumer needs.

Key growth drivers

- Demand for more accurate and reliable antibodies and research tools by the research community.
- Discovery of new antibody manufacturing technologies to speed up the pace of scientific research.
- Continuing basic research and R&D investment in new medicines and diagnostics by the pharmaceutical industry especially in the oncology field.
- Collaborations between private and public organisations to improve health outcomes, e.g. the BRAIN Initiative, the Parker Institute for Cancer Immunotherapy and President Obama's US Personalized Medicine Initiative.
- Companion diagnostics are becoming increasingly important to identify patients most suited to a therapeutic treatment, and for governments looking to streamline healthcare costs.

The Americas

For the US government fiscal year 2016, NIH funding was increased by $2bn or 6.6% from $30.bn to $32.1bn, the largest increase in twelve years. Regionally, this was partially offset by reduced government funding for research in Canada and Latin America. Abcam's revenue from the Americas market grew in double digits aided by double-digit growth in the US and Latin America, mid to high single-digit growth in primary antibodies and an increase in consumer spend on non-antibody products.

Japan

The fifth Science and Technology Basic Plan was adopted at the end of 2015 and the 'Grants-in-Aid for Scientific Research' government funding remained flat for the fiscal year starting April 2016. However, we have achieved over 7% revenue growth as we continue to invest resource in building customer relationships.

EMEA

Over 2013–2015, Europe has seen only very modest increases in basic research funding. Despite a tight academic funding environment, Abcam continues to perform well in European regions. The UK is growing slower than mainland Europe, but we are seeing good growth in Germany and Switzerland, largely due to increasing industry demand and collaborations with academic institutes. Italy and Spain are also seeing positive growth as a result of EU funding.

China

China is a significant growth market for global R&D and saw considerable investment in the last five-year government funding plan. The 13th five-year plan, which covers 2016 to 2020, indicates there will be continued investment in the Life Sciences sector.

China has seen good growth particularly for RabMAb® antibodies, and kits and assays.

Asia Pacific

An increase in public and private healthcare spending has boosted the pharmaceuticals and biotech industry in Asia. We have seen strong double-digit growth in the region, reflecting our increased focus on Australia, New Zealand and Singapore.

Global life science research tools market estimated to be worth

$2.7bn

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

Our strategic priorities continued

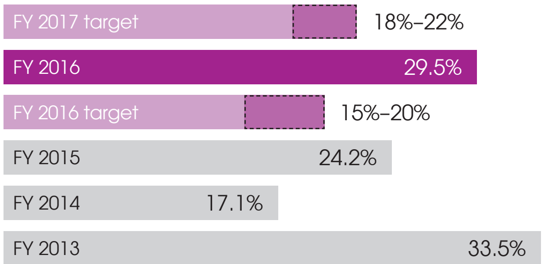
Our strategic priorities	What we promised for FY 2016	What we achieved	Our next priorities
4 **Sustain attractive economics** Our aim is to ensure operational efficiency and cost effectiveness to deliver sustainable, profitable growth	Perform a detailed review of the cost base to maximise operational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

Our KPIs

We measure our performance against a number of KPI targets. Success against these KPIs forms a component of the Executive Directors' incentives, as outlined on pages 38 and 39.

RabMAb® primary antibodies CER revenue growth

29.5%



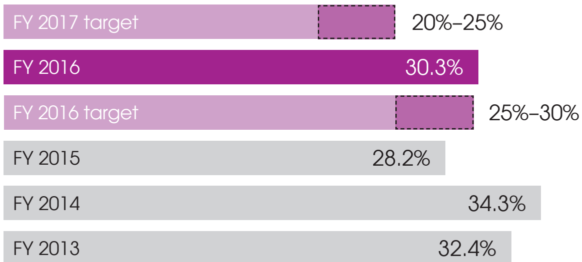
Strategic alignment:

1 2 4 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

30.3%



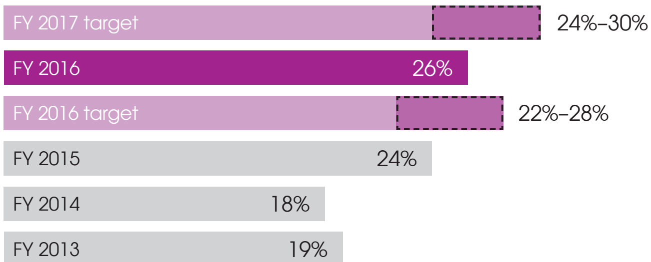
Strategic alignment:

2 5

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)

26%



Strategic alignment:

1 2

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

#1 in primary research antibodies

Strategic alignment:

1 2 5

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 risks

Abcam's risk management strategy is to identify, assess and mitigate any significant risks that it faces in accordance with the Group's risk appetite. It is recognised, however, that no risk management strategy can provide absolute assurance against loss.

Risk management framework

The risk management framework provides the structure within which the principal risks affecting our business are managed, and sets the tone, culture and appetite for risk.

The Board is accountable for carrying out a robust assessment of the principal risks facing the Group, including those threatening its business model, future performance, solvency and liquidity. The Board, in conjunction with the Audit and Risk Committee, has performed a robust assessment of the principal risks facing the Group, under four broad categories: business model/strategy risks, operational risks, financial risks and contextual risks. The principal risks form the backbone of the risk register, which is formally reviewed by the Board and the Audit and Risk Committee twice a year. The Audit and Risk Committee is tasked with reviewing and approving the adequacy and effectiveness of risk management and internal controls.

The Executive Leadership Team is responsible for maintaining the risk register, including the identification and evaluation of any newly recognised risks. It implements mitigating actions in relation to significant risks, embeds risk management in the internal controls system and sets the tone of an open and receptive approach to solving risk problems in the Group. Abcam has implemented policies and procedures intended to reduce risk. Our risk management policies are regularly reviewed, taking into account current market conditions and the Group's activities.

Subsidiary companies and Group functions are responsible for identifying, assessing and managing risks within their office or function. The Group financial management team has added responsibilities to challenge and review the risks identified, maintaining a view on changes in the business that may give rise to new risks or risk areas and to ensuring that significant risks are escalated to the risk register.

Risk appetite

Risk appetite describes the types and amount of risk that the Board is willing to take or accept to achieve our strategic and operational objectives, and serves as a boundary to our strategy. Our culture is based on an entrepreneurial and collaborative spirit which has supported the rapid growth of the business to date.

The Board aims to enable the scalability of the business by reinforcing appropriate controls without hindering its ability to continue to grow and take advantage of opportunities. In doing so, the Group has no appetite for significant reputational risk, for breaking laws of the regions in which we operate or for not providing appropriate facilities and tools for our staff to do this effectively.

The Board has spent considerable time during the year reviewing risk appetite both overall and in relation to each principal risk and mitigating actions. As a result, for each principal risk there is a risk appetite statement that has been approved by the Board and that has been embedded in the risk register, risk policy and the Group's culture.

Principal risks

A summary of the principal risks, their linkage to our strategy and an explanation of how the Group mitigates each risk are set out in the table on pages 15 to 19. Whilst the Group is exposed to a number of risks, wider than those listed, these are currently of most concern to the business.

The Board determined that some of the risks previously reported in the 2015 Annual Report were no longer principal risks for the Group. Disruption to product supply has been reduced to a lower level risk as the revenue loss linked to a single supplier would be less than 3.5% of catalogue revenues. With regard to non-compliance with regulation, the removal of the specific reference to health and safety reflects that area being seen as low risk due to changes in risk management processes. Lastly, failure to protect intellectual property rights was no longer considered as a principal risk due to the diverse product range. The wording of the principal risks has been simplified and some of the previously reported risks have been amalgamated in order to fully and accurately reflect the nature of those risks today.

The Board discussed the Code requirements to give due regard to risks to the Group's strategy. New risks 'identification, valuation and pursuit of acquisitions and investments' and 'ERP project/IT infrastructure' have been added to ensure that all the Group's strategic priorities are given the correct focus. The Board also separately identified reputational risk, which was previously implicit in a number of the principal risks. This was not because of any change in the underlying risks of the Group or its environment but because business news during the year has heightened awareness of the breadth of this issue and its potential consequences.

There may be other risks and uncertainties which are unknown to the Group or which could become material in the future. These risks may cause the Group's results to vary materially from historic and expected results.

Further additional information on the Group's financial risk management strategy can be found in note 26 to the financial statements.

Brexit

The Board has evaluated the potential implications for Abcam of the exit of the United Kingdom from the European Union. Whilst Brexit has created uncertainty and will potentially introduce complexity, the Board does not currently believe that Brexit will have a material adverse impact on the Group's results or financial position, and as such is not considered as a principal risk for the Group.

Nevertheless, we will be monitoring the situation closely, including the following areas of potential impact on our business:

- Short-term volatility in exchange rates. Continued weakness of Sterling against the currencies in which the Group trades, such as that seen since the UK's referendum vote to leave the EU, would be positive for revenues and profitability. Our policy is to hedge a material proportion of estimated net foreign currency cash flows, on a rolling basis. Consequently, the earnings benefit of weak Sterling will be limited in the 2017 financial year.
- Life science funding uncertainty in the UK. The UK currently accounts for around 7% of Group revenue. Funding uncertainty can slow demand until the outlook is more certain and it could be that we see slowdowns in the UK as scientists consider what this decision means for their funding.
- Employment and immigration. We have many EU citizens in our UK offices. Whilst we are hopeful that future immigration policy will not impact on our ability to continue to draw on the EU as a talent pool for staff, until future arrangements are finalised, this remains an area of uncertainty for us.

Longer-term viability statement

A new requirement of the 2014 edition of the Code is to assess the future prospects of the Group over a period longer than the twelve months required by the going concern provisions of the Code, and issue a 'viability statement'. The overriding aim is to encourage Directors of companies to focus on the longer term and be more actively involved in risk management and internal controls.

The Board selected a five-year assessment period for the viability statement as this aligns with our innovation pipeline and planning and covers the period of the capital outflows associated with the investment in the ERP system and relocation of the head office in Cambridge, UK.

The process adopted to assess the viability of the Company involved collaborative input from a number of functions across the business to model a series of theoretical 'stress test' scenarios linked to the Group's principal risks, which are shown on pages 15 to 19. Consideration was also given to the impact of mitigating risk, as well as inevitable interdependencies. An overview of the process undertaken was reviewed by the Audit and Risk Committee. The viability evaluation was then provided to the Board to assist in its assessment.

In assessing the Group's prospects and resilience, the Directors have done so with reference to its current financial position and prospects, its recent and historical financial performance and forecasts, the Board's risk appetite and the principal risks and mitigating factors described on pages 15 to 19. The Group is operationally and financially strong and has a track record of consistently generating profits and cash, which is expected to continue.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Table of principal risks

The direction of change during the year is illustrated by the arrow in the 'Change' column. Please note that this refers to the overall change in the risk to the Group, following mitigating actions.

^ Increased risk   > No change to risk   ∨ Decreased risk

Inadequate integration or leverage of acquired businesses

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Misjudging key elements of an acquisition or failing to integrate in an efficient and timely manner would disrupt existing operations	• Detailed integration plan, informed by technical and financial diligence, is put in place prior to acquisition • Dedicated integration project teams assigned with clear responsibilities for delivery post acquisition • Regular communication on progress highlighting variations to the integration plan and remedial action taken • Investment in the adaptability of our systems. Our ERP system is expected to enhance our ability to integrate systems	• Acquisition and integration of AxioMx on track • Integration of Firefly into our Boston offices is complete, and product development is proceeding well	^ Acquisition of AxioMx	4 5

Our risks continued

Table of principal risks continued

Increased competition: specifically pinpointed to disruptive developments

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Whilst the market remains fragmented and competitive as the number of antibody suppliers is still growing, the area of focus is mainly new technologies, channels and workarounds. New growth opportunities are dependent on rapidly evolving technological developments and consumer needs. To maintain our position as the market leader in primary antibodies and to gain share in the other markets in which we operate, it is essential to stay at the forefront of industry developments	• Maintain market knowledge and monitor competitor developments and technologies • Maintain large network of product suppliers • Well-established and progressive product content, datasheets, supply channels and logistic network • Maintain investment in R&D and consumer insight programmes • Appropriate intellectual property registrations and enforcement • Continuous improvement in product quality to better meet needs through strategic investment and QA processes • Continue to invest in securing new products and in our website and logistics network • Hiring and developing the right talented people	• Continuous commitment to product differentiation through innovation and product quality improvements • Acquisition of AxioMx brings potential for rapid *in vitro* antibody development across a wider set of targets • Further development of Firefly® technology • Firefly® Multiplex Immunoassay sample testing service launched giving results to customers in less than 15 business days • miRNA assays launched on website • Specialist reviews of technology developments in the market continue	›	1 2 4 5

Identification, valuation and pursuit of acquisitions and investments

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Abcam fails to acquire businesses which, if acquired, could have added value to Abcam Abcam attempts to acquire too many businesses at the same time, leading to inadequate diligence/integration planning, dilution of the Abcam brand and/or distraction of management from more valuable initiatives Abcam does not identify risks in the acquired business that if known would have prevented any acquisition The valuation of the acquired business is not justified through failure to hit technical targets, commercial underperformance and/or the absorption of resource which impacts on performance elsewhere in the Group	• External communications maintained with external advisors and owners/management of businesses to ensure Abcam achieves sufficient visibility of businesses/potential transactions across the market • Potential targets clearly prioritised to ensure sufficient time and care spent on diligence of any acquisition • Rigorous due diligence process conducted, with specific diligence requirements fulfilled, to ensure Abcam fully evaluates any business before sale • Critical assessment of the costs and benefits expected to accrue from the acquisition undertaken and clearly articulated • Key assumptions (financial, technical and operational) identified and stress-tested to ensure sufficient contingency in the acquisition process	• Expert reviews incorporated into the due diligence process for the acquisition of AxioMx • Deferred consideration structure of the AxioMx acquisition mitigates the product development risk associated with an early stage technology • Specialist reviews of technology developments in the market continue	›	2 5

Reputational risk

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Consumer demand is impacted because they no longer wish to buy from Abcam Increased cost of finance Impact on staff retention Potential difficulties in dealing with new and existing suppliers	• Adherence to ethical policy with regular supplier visits and training/sign-off of all staff for adherence to anti-bribery policy • Continued drive for improved product quality e.g. product testing • Consumer NPS regularly measured and Life Sciences Survey monitored • Feedback from other consumer interactions (including surveys) is monitored and appropriately reported internally • Consumer complaints and Abcam's responses are monitored at an appropriately senior level • External communications are reviewed at an appropriately senior level	• Continuation of the initiative to use the quality of products in the catalogue as a differentiator, such as the agreement with Horizon Discovery to provide knockout cell lines for improved antibody validation	›	1 2 3 4 5

Cyber-security risks including loss of data and website inaccessibility

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Abcam has exploited the use of online and eCommerce systems and relies on its website to attract consumers and make sales	• Continued extensive investment in IT systems and training • Monitor evolving threats and anticipate risks. Regular security reviews including penetration testing by external experts • Physical and software safeguards in place • IT disaster recovery processes • Cyber security insurance policy	• Website security penetration tested by a third party • Regular public website failover drills • Additional improved security measures	›	1 2 3 4

Loss of output at any Group manufacturing or logistics facility

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Loss of manufacturing or logistics output at any important facility risks disruption to sales operations	• Strategic location of the six manufacturing facilities across the world • Business continuity planning and disaster recovery plans • Saleable stocks of finished products held in logistics hubs globally (two years' sales for bestselling lines). Back-up hybridomas are stored in more than one location • Use of insurance audits/inspections and business interruption insurance • Circa 60% of revenues comes from OEM suppliers • Strict quarantine procedures for cell lines with tested procedures for responding to mycoplasma infection • Cryogenic storage and refrigerators are covered by alarms	• Relocation of manufacturing facility in Hangzhou reduces risk of plant failure • Better inventory balancing in Shanghai facility to service increased demand in China market • Further progress in the initiative to better align inventory holdings to sales patterns	⌄ New Hangzhou facility decreases risk	1 2 3 4

Our risks continued

Table of principal risks continued

Business growth is constrained by not having appropriate people, resources and infrastructure in place

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Abcam has enjoyed rapid growth both organically and through acquisition increasing the size of our operation and the number of people we employ. Our operational and IT infrastructure needs to be robust, efficient and scalable in order for the Group to continue to manage its growth; the contribution made by Abcam's highly skilled and dedicated staff has been, and will continue to be, essential to Abcam's future success	• Invest extensively in IT systems to maximise scalability, security and usability • Global content delivery partner used to increase reliability and access speed for static website content • Dynamic website content served from an external, fully supported data centre • Invest in premises globally to ensure they are fit to support current operations as well as medium-term growth plans • Open employee communication including quarterly Group-wide meetings and employee NPS monitoring and improvement • Operation of share ownership schemes • Provision of significant opportunities for learning and development	• Launched investment programme on processes and ERP system • Moved to new manufacturing facility in Hangzhou • Secured and fitted out premises in Boston to accommodate Firefly and expansion of that office • Launched global learning management system • Management and leadership training programme rolled out	^ Rapid growth in recent years has increased our risk of infrastructural constraints on future growth	1 2 3 4 5

ERP project/IT infrastructure

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
ERP project costs more than planned The project timetable slips and there is a knock-on effect in resourcing elsewhere in the business Savings do not materialise Staff morale falls Consumer service levels fall Unable to complete M&A	• The ERP project is closely aligned with the strategic objectives and appropriate resource is in place of business as usual and to handle training • Ensure appropriate resource is committed to advisors and back-filling in-house staff who will work on the project • Oracle Cloud means minimal customisation • Ensure global design phase is sufficiently complete before beginning implementation • Appropriate/best practice project management/governance structures in place • Regular monitoring of progress and remedial action	• Established and resourced governance processes (design authority, change control and risk management) around ERP implementation • Resourced specific Change Management work stream within ERP implementation team • Backfilled staff within the business where ERP implementation required secondment	^ Increased risk during implementation phase	1 2 3 4 5

Significant exchange rate movements

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
The Group reports its results and pays dividends in Sterling. Operating and manufacturing companies trade in local currency. Our particular exposures are against the US Dollar, Euro, Japanese Yen and Chinese Renminbi	• Clear communications strategy for results to ensure Group's currency exposures and hedging policies • Forward cover where appropriate and in line with the Group hedging policy • Where possible create natural hedges matching sales and costs in the same currency • Focus on reducing manufacturing costs	• Continued use of US Dollar, Euro and Japanese Yen forward contracts • Implemented hedging of Chinese Renminbi versus Sterling	^ Brexit increases volatility	4

Availability of research funding

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
Any substantial reduction in funding as a response to a fiscal contraction in one of our significant territories could have an adverse effect on the demand for our products	• Mitigated to an extent given that Abcam trades globally and such issues are likely to be country specific • Experience has shown that as a company selling consumables there is some defensibility for revenues when compared to, for example, vendors of large ticket laboratory equipment • Review government spending plans to have foresight of such reductions and may join lobby groups to support funding if appropriate • Further expansion into high growth markets and high margin products • Increase market share of privately funded consumers	• Diversification of geographic reach, in particular through expanded penetration in China • Growth of high margin RabMAb® products • Broadening of our customer base to include different customer segments with different funding sources	›	1 2 3

Non-compliance with regulation or sudden changes in import/export regulations

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
We are unable to manufacture products or to ship them May lead to the shutting down of a location Inability to report externally, reputational impact and late filing penalties	• Compliance with legislation and codes of best practice • Regular external health and safety audits, checks and reporting • Subscription to available database and use of health and safety and import/export experts to ensure we are up to date • Ongoing training • Monitor changes to international import and export regulations	• Continued to monitor any changes in regulation to ensure continued compliance	›	1 4

Corporate social responsibility (CSR)

We endeavour to act ethically and be socially and environmentally responsible while conducting our business. Our CSR activities are around three key areas: our people, our communities, and health, safety and the environment.

Our communities

We play a positive role in our local communities through charitable donations, partnerships and sponsorships.

Highlights

- Made charitable donations to local, national and international charities.
- Provided placement and internship opportunities to support young people in gaining the experience needed to further their careers.
- Employee participation in several community projects including a house building project, cleaning of river banks and distribution of food to those in need.
- Provided travel grants for researchers to attend scientific events.
- Supported scientific organisations with funding and expertise to help them disseminate their research including sponsorship of the Cambridge Immunology Network and Findacure.

Our people

Attracting and retaining the best talent is crucial to the success of our business. We provide employees with a positive and healthy work environment, where they are listened to and rewarded and recognised for their contributions.

Highlights

- Fully implemented a learning management system providing accessible resources for employees globally to support their development needs.
- Invested in leadership training to provide leaders with the skills required to motivate and engage their teams.
- Ran our annual global staff survey and then followed up with focus groups to develop and implement action plans to address feedback.

Health, safety and the environment

We provide a safe work environment for employees and adhere to legal requirements and best practice standards. Global annual audits are undertaken at all sites using internal cross-site audit methodologies, supported, where appropriate, by external consultants. These audits ensure health and safety compliance, and we continue to make significant improvements to our offices to ensure all our employees have a safe and comfortable working environment. To minimise our environmental impact, we continually look at new ways to increase the sustainability of our processes.

Highlights

- All established Abcam offices are fully compliant with our global H&S standards, with particular progress being made in China with the new Hangzhou facility providing employees with more comfortable facilities and further improving the health and safety environment.
- Invested in improving the facilities at our newly acquired company, AxioMx.
- Refurbished sites in Bristol, UK, and Boston, USA.
- Implemented a 'Digital First' approach to increase online communication with consumers and reduce printing.
- Received a Silver Travel to Work Initiative Award for our investment in supporting sustainable travel at our sites in Cambridge, UK.

Our financials

Jeff Iliffe
Chief Financial Officer

Summary

- Reported revenues for the year increased by 19.2% to £171.7m
- At constant exchange rates, product revenues grew by 14.4% and total revenues by 15.9%
- Strong cash generation with closing cash and term deposits of £70.7m
- Our step change investment in systems and processes to scale the business for future sustained growth is underway

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.

Our financials continued

Adjusted income statement

	FY 2016					FY 2015		
	Adjusted income statement £000	Acquisition-related costs (Note 1) £000	Incremental costs associated with the systems and 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).

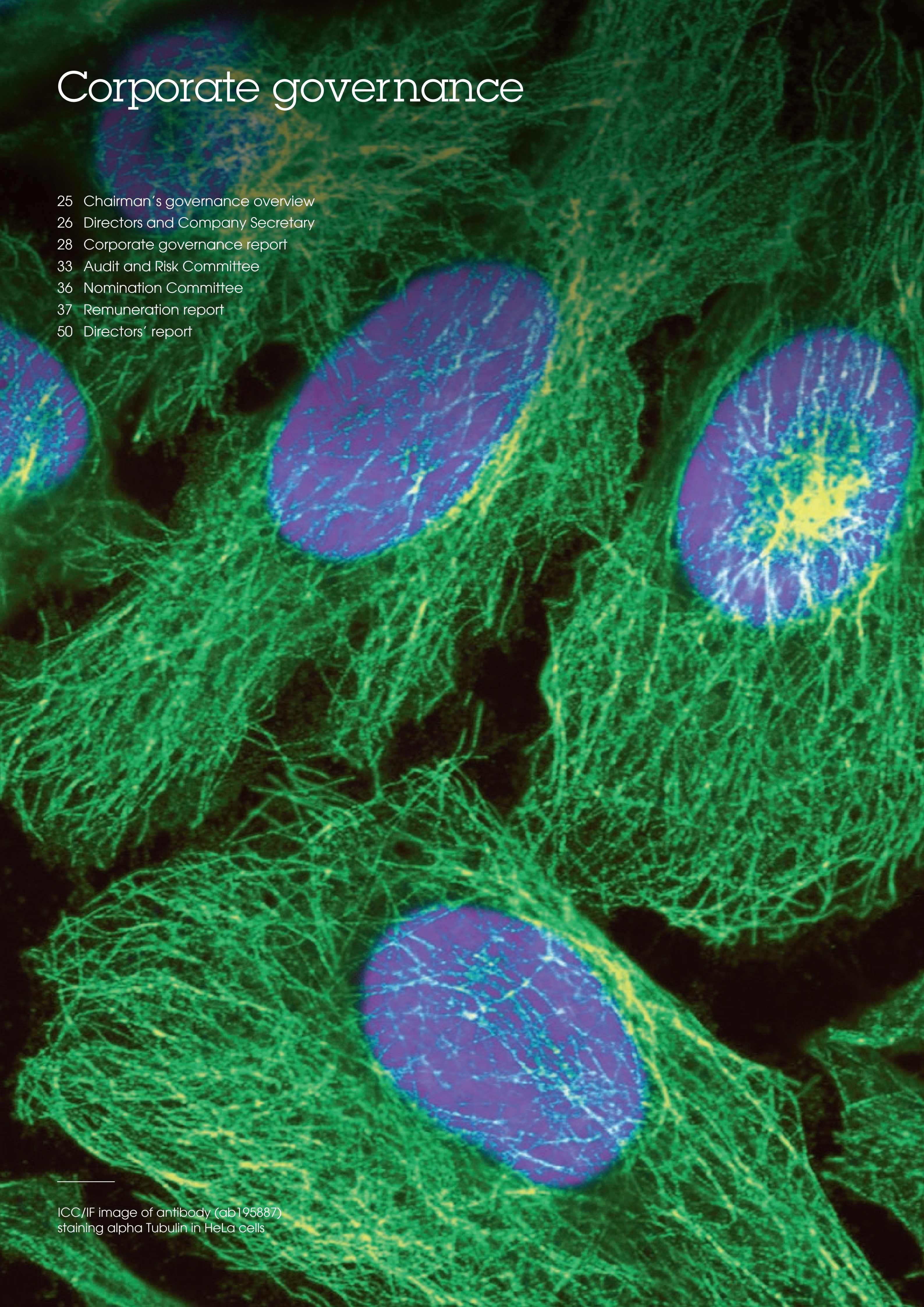
Cash generated by operations was £56.8m (FY 2015: £48.9m), after a working capital outflow of £3.1m (FY 2015: £7.5m) which includes £1.5m paid to settle pre-acquisition liabilities of AxioMx. Also within this figure was a £1.3m reduction in inventories which was achieved as a follow-on to the initiative,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

Corporate governance



ICC/IF image of antibody (ab195887) staining alpha Tubulin in HeLa cells

Chairman's governance overview

I am pleased to present the Corporate Governance Report for the year ended 30 June 2016.

The Board believes that good governance is fundamental to the successful growth of our business. The Board and its Committees play a central role in the Company's governance by providing an external and independent perspective on matters material to Abcam's stakeholders, and by seeking to ensure that effective internal controls and risk management measures are in place. The Board also promotes a culture of good governance throughout the Company by creating an environment of openness, transparency, accountability and responsibility.

This section of the Annual Report describes our corporate governance structures and processes and how they have been applied throughout the year ended 30 June 2016.

The UK Corporate Governance Code (Code)

The Code sets out the principles of good practice in relation to corporate governance which should be followed by companies with a full listing on the London Stock Exchange. As an AIM-listed company we are not required to comply with the Code. However, the Board has elected to comply with the Code insofar as is practicable given the Company's size and the nature of its operations. A thorough review of Abcam's compliance with the Code was undertaken by our Company Secretary earlier this year, and the results were discussed in detail by the Board. I am happy to report that the Company complied with the principles and provisions of the 2014 edition of the Code in all material respects during the 2015/16 financial year.

My role as Chairman

My role is to ensure that Abcam has an effective Board which is collectively responsible for the long-term success of the Company. One of my most important jobs is to ensure that the Board and its Committees have the right balance of skills, experience and knowledge suitable for Abcam's evolving strategy and growth aspirations as we progress through a new phase of our development.

Succession planning and Board changes

Succession planning and talent management have been areas of focus for the Board and the Nomination Committee over the last year and are detailed in the Nomination Committee report on page 36.

In succession planning for the Board and within the Group we take into account the need for diversity generally and support the principle of encouraging women to pursue careers within the Company. The Board has not set express diversity quotas or measurable objectives for implementing its policy as such, but female talent, as one element of diversity, is actively encouraged both at Board level and within the business. We are pleased that 30% of the Board are women, our Senior Independent Director and our Company Secretary are women and women chair the two key Board Committees (the Audit and Risk Committee and the Remuneration Committee). Women comprise 42% of senior management and we continue to work to improve the representation of women throughout all levels of management.

Board and Committee evaluation

Regular and appropriate Board and Committee evaluation is vital to improving Board effectiveness. This year I conducted a thorough evaluation process, which was discussed in detail by the Board. Overall, it was concluded that the Board and Committees functioned very well, with Directors feeling free to voice their differing opinions. It was felt that the balance of time allocated to strategy, operations and functional areas and governance was broadly correct, although it was decided that the number of Board and Committee meetings should be reduced to improve efficiency. More detail about the Board evaluation and on some of the major matters considered by the Board and its Committees during the year can be found on pages 28 to 31.

Risk management and internal controls

A particular focus of the Board and the Audit and Risk Committee has been defining our risk appetite and conducting a broader risk assessment in the context of assessing our longer-term financial viability, to ensure that the way in which risks are managed and mitigated continues to be improved and adapted for our growing Company, and also to comply with the 2014 edition of the Code. To this end, the Board conducted a robust assessment of Abcam's risk management and internal controls systems, including financial, operational and compliance controls, and found them to be effective.

Longer-Term Viability Statement

The Company prepared a five-year plan which was reviewed and approved by the Board. The plan contained a sensitivity analysis which allowed the Board to assess Abcam's viability under a range of stress tests against its principal risks. The Company remained viable under each scenario without recourse to debt funding. Further details are provided on page 15.

2015 Annual General Meeting

We were pleased that all resolutions were passed at the 2015 AGM. However, we were disappointed to receive a relatively low vote (68%) by shareholders in favour of the resolution to adopt the Abcam 2015 Share Option Plan (2015 Plan) and to establish similar share option plans for employees outside of the UK. This result was not expected by the Board as the 2015 Plan replaced an existing all-employee share plan and had been drafted in accordance with good corporate governance. Two proxy reports had recommended a vote against, citing concerns with the absence of performance conditions and a lack of clarity on individual limits, the vesting period and whether the Directors would participate. However, the 2015 Plan complied with good corporate governance on these points and was subject to the same performance conditions, individual limits and three-year vesting period as per the previous plan. The Directors debated the result at the following Board meeting and concluded that there should have been a clearer explanation of the features of the 2015 Plan in the Annual Report and Notice of AGM.

Over the forthcoming year, there are two major capital investment projects which we expect to be underway: the implementation of the Enterprise Resource Planning system and the design and build of the new headquarters in Cambridge. The Board will give special attention to these projects in the year ahead to ensure risks are appropriately discussed and mitigated. We will continue to focus on many of the same priorities as this year, putting particular focus on ensuring that there is an alignment between our strategy and aspirations on the one hand and our organisational capabilities on the other.

Murray Hennessy
Chairman

Directors and Company Secretary

Abcam's Board of Directors has the breadth and depth of skills necessary to guide the Group as it seeks to take full advantage of new opportunities and contend with new challenges.

Murray Hennessy MBA | Chairman

Appointment: November 2011.

Background: After an early career as a management consultant in the London, Tokyo and Boston offices of Bain & Company, Murray held a number of senior positions in the restaurant industry with PepsiCo and Yum Brands and also led an internet start-up. Between 2001 and 2004, Murray was the Commercial Director of John Lewis Department Stores, where he pioneered the store's online presence, johnlewis.com. Following this, Murray became Chief Executive of Avis Europe plc, the car rental company, until 2008. Murray then took the role of Chief Executive of thetrainline.com, the online train ticket retailer, until June 2014.

Current external appointments: Murray is Chairman of TGIF UK (Thank God It's Friday, UK), Non-Executive Director for SEDCO Holding Company (Saudi Arabia), an advisory board member for River Island, Chairman of Receipt Bank and a Non-Executive Director of Great Wolf Lodges.

Skills and experience: Murray has an impressive track record of working internationally in customer-facing industries, as well as significant experience of online businesses. His experience across various consumer-facing sectors where technology plays a key role is valuable to Abcam's digital and customer-facing strategy and his background in management consulting and executive leadership positions supports Abcam's strategy development.

Louise Patten MA (Oxon) | Non-Executive and Senior Independent Director

Appointment: March 2014.

Background: Having started her career in corporate and investment banking, Louise moved into management consultancy and became board Director for the Hilton Group. Since then she has served on a succession of multinational listed company boards for more than 20 years as a Non-Executive Director, Senior Independent Director, Chairman of remuneration committee and company Chairman at companies including the retailers Marks & Spencer plc, GUS plc and Somerfield plc.

Current external appointments: Louise is currently a Non-Executive Director of the FTSE 100 property group Intu Properties plc, a senior advisor to Bain & Company and a Non-Executive Director to Arthur J. Gallagher Insurance Brokers Limited.

Skills and experience: Louise's highly recognised career in business, with her extensive board and corporate governance experience, brings Abcam the knowledge and proficiency required to support its strategic growth plans and, whilst doing this, ensures that the Abcam Board is led by a robust governance framework.

Mara Aspinall MBA | Non-Executive Director

Appointment: September 2015.

Background: Mara was the President and Chief Executive Officer of Ventana Medical Systems, the Tissue Diagnostics Division of the Roche Group. While at Ventana, she led the company to increased market leadership worldwide and primacy in companion diagnostics. Previously, Mara spent twelve years at Genzyme Corporation (now part of Sanofi) where she was the President of Genzyme Genetics and Genzyme Pharmaceuticals. She was also the founder and Chief Executive Officer of On-Q-ity, a circulating tumour cells company. Mara is co-founder of EPEMED (European Personalized Medicine Association) and the International School of Biomedical Diagnostics at Arizona State University and Dublin City University, the only school dedicated to the study of diagnostics as an independent discipline. She is a fellow of the American Institute for Medical and Biological Engineering.

Current external appointments: Mara is the Chief Executive Officer of Health Catalysts, Executive Chairman of GenePeeks Inc., Director of Safeguard Scientifics Inc., Director of Castle Biosciences, Director of Blue Cross Blue Shield Arizona, Director of SenesTech Inc., Director of CA Therapeutics and is on the non-fiduciary advisory boards of ProMIS Neurosciences, Inc., Slone Partners and Greybird Ventures.

Skills and experience: Mara has considerable international experience in the biotechnology and diagnostics industries with public and private companies. Mara's specific focus areas are in her operational expertise including acquisition integration, global manufacturing, quality systems and strategic marketing. Her knowledge of the diagnostics industry is helpful in establishing Abcam's business in this sector.

Alan Hirzel MS, MBA | Chief Executive Officer

Appointment: January 2014.

Background: Prior to joining Abcam, Alan spent 14 years with Bain & Company helping companies grow organically and through acquisition. Earlier in his career, he led product innovation efforts for several brands at Kraft Foods. He was trained as a life scientist and published research in plant biochemistry. He also has a passion for social enterprise as a trustee and was founder of the Social Business Trust, providing advice on how to grow and succeed with these enterprises to social entrepreneurs and government organisations globally.

Current external appointments: Alan has no other external appointments.

Skills and experience: Alan brings the Abcam Board an impressive combination of a strong scientific background, global business and leadership experience as well as strong consumer knowledge. Alan has a keen focus on the consumer, helping Abcam's strategic vision to be a successful global business by placing the customer at the heart of the business.

Sue Harris BSc, ACMA | Non-Executive Director

Appointment: December 2014.

Background: A chemist by training, Sue began her career at Ford Motor Co. before moving to oil company Amerada Hess. She subsequently held senior executive roles at Marks & Spencer across finance, and latterly as head of corporate development and as corporate treasurer, and Standard Life, where she led the process to float the company in 2006. She then joined Lloyds Banking Group (LBG), where she was Finance Director of, respectively, Cheltenham and Gloucester, LBG's Retail Bank and LBG Group Finance, and latterly Group Audit Director. Previously, Sue was a Non-Executive Director on the board of St. James's Place (representing LBG) and a member of the audit and remuneration committees of the British Bankers' Association. She was previously chair of trustees for KCP Youth and during a ten-year association with Mencap chaired both the finance and audit committees.

Current external appointments: Sue is an independent Non-Executive Director of Bank of Ireland UK, a member of the Audit and Assurance Council and the Codes and Standards Committee of the Financial Reporting Council, a Non-Executive Director of Schroder & Co. Limited and a member of the Audit and Risk Committee of Schroder Wealth Management Division.

Skills and experience: Sue has over 30 years of financial and commercial experience. Along with her corporate board experience and scientific background, Sue brings a wealth of finance and commercial skills that strengthens the Abcam Board in its current growth strategy and is the ideal person to chair the Audit and Risk Committee.

Key to Committees: N Nomination A Audit and Risk R Remuneration ■ Committee chair

The terms of reference of the Committees are available on the Company's investor relations website at www.abcamplc.com.

Jeff Iliffe ACA | Chief Financial Officer

Appointment: November 2007 (due to leave the Board on 12 September 2016).

Background: Jeff is a chartered accountant. He has extensive experience of the City industry and internet based businesses. Jeff was a corporate financier in life sciences at Panmure Gordon & Co. following which he held a number of financial positions at companies including the environmental consultancy Enviros Group Limited and Plethora Solutions plc. Prior to joining Abcam Jeff was the Chief Financial Officer at the e-commerce company St. Minver Ltd.

Current external appointments: Jeff is a Non-Executive Director of Treatt plc, a manufacturer and supplier of ingredient solutions for the flavour, fragrance and FMCG industries, and a trustee of the Cambridge Arts Theatre.

Skills and experience: Jeff's broad financial experience, including his experience in acquisitions, business integration and investor relations, is of significant value to Abcam in supporting its strategy to grow the business. Jeff's knowledge in e-commerce has enabled him to contribute to the ongoing development of e-commerce for Abcam.

Anthony Martin PhD | Non-Executive Director

Appointment: September 2011 (due to leave the Board on 31 October 2016).

Background: Anthony was most recently Non-Executive Chairman of Immunodiagnostics Systems Holdings plc and Sphere Medical Holding plc. His prior executive appointments include Chief Executive Officer of British Bio-Technology Products, AZUR Environmental, Molecular Probes Inc and Celsis International plc and President of Invitrogen Corporation. Anthony's previous non-executive appointments include Prelude Trust plc, NeuTec Pharma plc and Molecular Insight Pharmaceuticals Inc. He has also served on the main board of Invitrogen Corporation and the strategic advisory board of Agilent Technologies.

Current external appointments: Anthony is currently Non-Executive Chairman of PhicoTherapeutics Ltd, Director of Bioconsult Ltd, Non-Executive Director of Orthofix N.V., Chairman and trustee for The Martin Reach Charity and a Chairman and Non-Executive Director of Peptinnovate Limited. He is a fellow of the Royal Society of Medicine.

Skills and experience: Anthony has more than 25 years' experience in managing the life sciences industry within the UK and US, in both executive and non-executive roles, which has brought strategic guidance and a wealth of knowledge to the Abcam Board. His experience of governance and responsibilities of board committees, both in UK AIM-listed companies and in US Nasdaq-listed corporations, is beneficial in ensuring the Board and the organisation are governed well.

Jonathan Milner PhD | Deputy Chairman

Appointment: April 1998.

Background: Having worked in the life sciences industry for over ten years as an academic researcher, Jonathan identified the market opportunity for supplying high quality antibodies to support protein interaction studies and, in 1998, founded Abcam with David Cleevely and Professor Tony Kouzarides.

Current external appointments: Jonathan is a Non-Executive Director of Horizon Discovery Group plc, The Evolution Education Trust, GeoSpock Ltd and Sydicate Room Group Ltd. He is also Chairman of Axol Bioscience Ltd, PhoreMost Ltd, Repositive Limited, Definigen Limited and Cambridge Allergy Ltd. Jonathan holds an Executive Director position at Meltwind Limited, being a designated member of Meltwind Advisory LLP.

Skills and experience: Jonathan is an experienced entrepreneur and investor and is passionate about supporting UK life science and high-tech start-ups. He has provided considerable investment and support to over 30 companies and has assisted three AIM IPOs.

Michael Ross MA (Cantab) | Non-Executive Director

Appointment: November 2011 (due to leave the Board on 31 October 2016).

Background: Having worked at McKinsey & Company, Michael co-founded the online retailer figleaves.com, where he was the Chief Executive Officer. Following that, he co-founded DynamicAction (previously eCommera), an e-commerce technology and advisory business where he is currently Chief Scientist.

Current external appointments: Michael is an Executive Director of DynamicAction, In Kind Direct, Ikdi and Maths & Magic Limited and a Non-Executive Director of Sainsbury's Bank Plc.

Skills and experience: Michael has a high level of technical expertise when it comes to e-commerce; his passion for digital innovation has helped Abcam understand how to make best use of its data to enhance customer experience and assisted in creating efficiencies for the business.

Jim Warwick MA (Cantab) | Chief Operating Officer

Appointment: November 2000 (due to leave the Board on 31 December 2016).

Background: Jim started work at Analysys Limited, a Cambridge-based telecommunications consultancy, heading up its IT, software and web development initiatives. Jim then joined Abcam as a Technical Director, and took over the operational management of the UK office as Managing Director in June 2004, working on both cost saving and efficiency improvement projects. In 2009, Jim became Chief Operating Officer, with responsibility for overseeing the operational strategy of the Group.

Current external appointments: Jim is a Director of Chesterton Community College, Chesterton Sports Centre Limited and Cambridge Nutraceuticals Limited. He has also taken up a non-executive position at Quartix Holdings Plc.

Skills and experience: Jim had over 15 years' experience in developing and implementing IT systems and strategy before moving into a broader operational management role within Abcam. Here his skills have been particularly focused on developing a scalable operating model for Abcam which, supported by IT systems, has underpinned Abcam's rapid growth over the past decade.

Suzanne Smith LLB, MBA | Chief Legal Officer and Company Secretary

Appointment: July 2015.

Background: Before joining Abcam, Suzanne was Executive Director, Legal at Actavis plc where she was responsible for the leadership of the legal function internationally (ex-Americas). Previous positions include Legal Director at Genzyme Therapeutics Ltd, General Counsel and Company Secretary at Phoqus Pharmaceuticals plc and Group Legal Counsel and Company Secretary at LGC Ltd, together with positions at SmithKline Beecham and Aventis.

Skills and experience: Suzanne is a qualified solicitor with over 20 years' global legal, business and leadership experience within the life sciences industry. Her experience in legal and company secretarial roles brings Abcam additional knowledge and skills in corporate governance.

Corporate governance report

The role of the Board and its Committees

Board

Responsible for the long-term success of the Group.

It sets strategy and oversees implementation, ensuring only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.

Meet our Board of Directors on pages 26 and 27.

Audit and Risk Committee

Reviews and is responsible for the oversight of the Group's financial and reporting processes, the integrity of the financial statements, the external and internal audit processes, and the systems of internal control and risk management.

More details on pages 33 to 35.

Remuneration Committee

Reviews and recommends to the Board the executive remuneration policy and determines the remuneration packages of the Executive Directors and the Company Chairman. Has oversight of the remuneration packages of the Executive Leadership Team.

More details on pages 37 to 49.

Nomination Committee

Reviews and recommends to the Board the structure, size and composition of the Board and its Committees. It also has oversight responsibility for succession planning of the Board and senior management.

More details on page 36.

Executive Directors

Responsible for implementation of the Board's strategy, day-to-day management of the business and all matters which have not been reserved for the Board.

Executive Leadership Team (ELT)

A team that operates under the direction and authority of the CEO and other Executive Directors and comprises the direct reports of the CEO. It assists the Executive Directors in implementing strategy and policies and managing the operational and financial performance of the Group.

Global Leadership Team (GLT)

Established in 2016 to facilitate communication across functions and geographies. The GLT comprises the ELT and other senior global leaders who meet as required in person and by telephone conference to support the delivery of Abcam's strategic activities and the annual planning process. This enables the CEO and the ELT to hear from different areas of the business whilst providing the opportunity to communicate with and engage the GLT members on global initiatives.

Matters reserved for the Board and delegated authorities

To retain control of key decisions, the Board has identified certain 'reserved matters' that only it can approve, with other matters, responsibilities and authorities delegated to its Committees, as above. The schedule of matters reserved for the Board and the terms of reference for each of its Committees can be found on the Company's investor relations website at www.abcamplc.com. Any matters outside of these fall within the CEO's responsibility and authority. Accordingly, he reports on the activities of the ELT through monthly reports to the Board.

Board composition and roles

The Board comprises the Chairman, three Executive Directors and five Non-Executive Directors, one of whom is the Deputy Chairman. Their key responsibilities are as set out in the table below:

Board composition and roles

Chairman	Murray Hennessy	Responsible for leading and managing the Board as well as its effectiveness and governance. Ensures Board members are aware of and understand the views of major shareholders and other key stakeholders. Helps the CEO and the Executive Directors set the tone from the top in terms of the purpose, goal, vision and values for the whole organisation.
CEO	Alan Hirzel	Responsible for the day-to-day management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.
CFO **COO**	Jeff Iliffe Jim Warwick	Support the CEO in developing and implementing strategy. Responsible for the financial and operational performance of the Group.
Deputy Chairman	Jonathan Milner	Responsible for bringing expert knowledge in the ever evolving field of protein research and its related science and technology. Provides entrepreneurial support to the Board to develop strategy to further exploit opportunities to enable Abcam to support scientists worldwide. Provides a technical sounding board to the Chairman and CEO. Represents Abcam at external events and forums worldwide and is an ambassador for Abcam in the scientific community.
Senior Independent Director	Louise Patten	Acts as a sounding board for the Chairman and as a trusted intermediary for other Directors. Available to discuss any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chairman or the Executive Directors.
Independent NEDs	Sue Harris Anthony Martin Michael Ross Mara Aspinall	Assist in the development of strategy and monitor its delivery within the Company's established risk appetite. Responsible for bringing sound judgement and objectivity to the Board's deliberations and decision-making process, and constructively challenging and supporting the Executive Directors. They also review the performance of the Executive Directors.

Board and Committee meetings/attendance during the year

Director	Scheduled Board meetings	Ad hoc Board meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Murray Hennessy	11/11	1/1	n/a	n/a	3/3
Alan Hirzel	11/11	1/1	n/a	n/a	n/a
Jeff Iliffe	11/11	1/1	n/a	n/a	n/a
Jim Warwick	11/11	1/1	n/a	n/a	n/a
Sue Harris	11/11	1/1	6/6	4/4	3/3
Anthony Martin	11/11	1/1	6/6	4/4	n/a
Jonathan Milner	11/11	1/1	n/a	n/a	n/a
Mara Aspinall[1]	8/8	1/1	n/a	n/a	n/a
Louise Patten	11/11	1/1	5/6	4/4	3/3
Michael Ross	10/11	1/1	n/a	n/a	1/3

1 Mara Aspinall was appointed to the Board on 14 September 2015. Her attendance relates to the period from that date until 30 June 2016.

Board meetings

The Board previously held full meetings every month, with attendance required in person one month and via conference call the following month. However, following the Board evaluation in April 2016 and considering benchmarking data for companies of a similar market capitalisation and complexity, it was agreed that this was no longer appropriate for Abcam, and that the meetings would be reduced to six 'in-person' meetings and two scheduled telephone conferences for the Board, and four meetings for both the Remuneration Committee and the Audit and Risk Committee. Ad hoc meetings may be called to discuss urgent pertinent issues arising during the course of the year, or to approve the annual and interim accounts and dividends. A separate one-day strategy session will continue to be held once a year to discuss the longer-term aspirations of the Company.

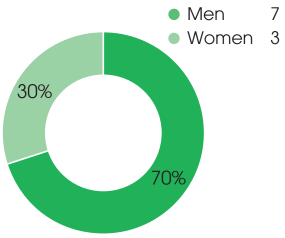
The culture of our Board meetings is to encourage rigorous debate. The NEDs constructively challenge the performance of management in meeting agreed goals and objectives and help develop proposals on strategy, priorities and, indeed, on occasion, tactics. There is an opportunity for more informal and extended discussions on strategy before and after bi-monthly Board meetings.

The Directors have the benefit of directors' and officers' liability insurance and have access to the advice of the Company Secretary, who is a qualified solicitor and acts as secretary to the Board and its Committees.

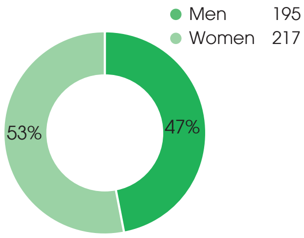
Corporate governance report continued

Gender diversity*

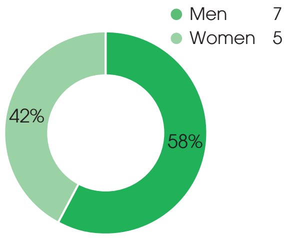
Board



All employees



Senior managers (grades 1–2)



We have made excellent progress in the year in terms of gender diversity, with the percentage of women across the Board reaching 30%. We have a high representation of women in senior management, and continue to seek to increase the pipeline of women into both the Board and senior management.

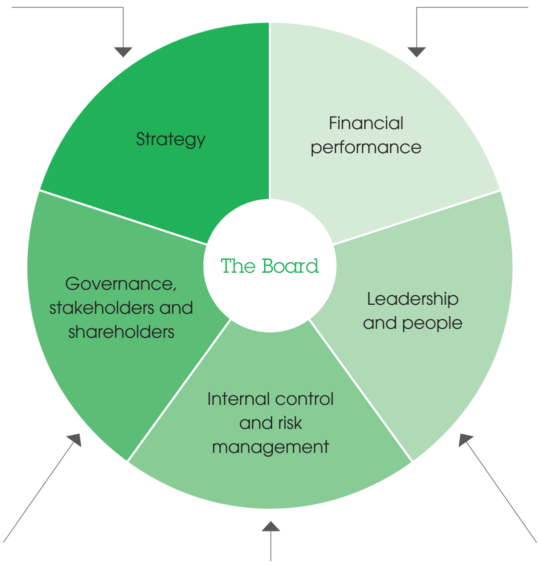
* As at 30 June 2016, comprising Abcam plc only and excluding subsidiaries outside of the UK.

Board activity

The Board agenda focuses on the themes of driving our strategy, monitoring risk and execution against the strategy via regular business, financial and departmental updates, together with corporate governance and regulatory matters.

Strategy

- Reviewed the implementation progress against the multi-year strategic initiatives established in 2013/14 and the long-term strategy as part of the off-site strategy day, and decided the approach to diagnostics, custom products and licensing.
- Approved the acquisition of AxioMx Inc and the subsequent expansion of its facilities.
- Approved the business case for the implementation of a comprehensive Enterprise Resource Planning system.
- Discussed the potential investment for the new Abcam headquarters at Cambridge Biomedical Campus.
- Received various departmental updates to monitor progress against strategic goals.



Financial performance

- Considered the financial performance of the business and key performance targets.
- Approved the budget and five-year plan.
- Monitored the performance against budget by a presentation from the CFO.
- Reviewed the half-year and annual results and presentations to analysts and approved the Annual Report.
- Approved the interim and final dividend recommendations.

Governance, stakeholders and shareholders

- Reviewed the outcome of the Board evaluation and effectiveness.
- Reviewed the Company's compliance with the Code and key developments in corporate governance.
- Received key regulatory updates such as the Market Abuse Regulation.
- Approved the establishment of a Disclosure Committee and a new Share Dealing Policy.
- Reviewed feedback from institutional shareholders and analysts following annual and interim results.
- Reviewed the terms of reference of Board Committees.
- Reviewed the Company policies, including health and safety and bribery and corruption.

Internal control and risk management

- Reviewed the approach to risk management and carried out a robust assessment of the Company's principal risks.
- Approved the Company's risk appetite, being the level of risk that the Company is willing to take in pursuit of its objectives.
- Approved the implementation of an Enterprise Resource Planning system which will improve and streamline the flow of information between all business functions and improve internal controls.
- Approved the appointment of a third party internal audit function.
- Reviewed the Company's hedging arrangements and strategy, including approving the Company's hedging policy.

Leadership and people

- Discussed the composition of the Board and its Committees.
- Approved the appointment of Mara Aspinall as a Non-Executive Director and the appointment of Gavin Wood as Chief Financial Officer and an Executive Director to commence on 12 September 2016 following a handover period from Jeff Iliffe.
- Discussed the results of the employee engagement survey and the actions arising from it.
- Discussed the development of the People Strategy, which included the implementation of a clear reward strategy, a focus on development and ensuring good team leaders.

Effectiveness

Board composition

We have considered the overall balance between Executive and Non-Executive Directors and believe that the structure of the Board and the integrity of each Director ensures that no one individual or group dominates the decision-making process. The Board reflects a good balance of skills from financial, operational, sector-specific and general business skills, with a highly experienced team leading the business in both Executive and Non-Executive roles.

Information and support

The Chairman, Executive Directors and Company Secretary are responsible for making sure the Board members are updated with information concerning the state of the business and its performance and information necessary for them to effectively discharge their duties and responsibilities, in a timely manner. The agenda for the following Board meeting is discussed at the end of each Board meeting so that Non-Executive Directors have the opportunity to influence agendas for Board discussions, ensuring the amount of time spent reviewing strategic and operational issues is appropriately balanced.

In the event that Directors are unable to attend a meeting or a conference call, they have the opportunity to relay their comments and, if necessary, to follow up with the Chairman or the CEO after the meeting.

Board development

On appointment to the Board, new Directors receive a comprehensive and tailored induction programme, the aim of which is to introduce them to key management and personnel across the business and to enhance their knowledge and understanding of the Company's business, strategy and governance structure, as well as their own duties and responsibilities. This includes time with each of the Executive Directors and the Company Secretary, and with a wide range of senior management from across the business. A thorough induction programme was developed for Gavin Wood that was tailored to his particular needs. Mara Aspinall also received a detailed induction when she joined the Board in September 2015.

Regular training is provided to the Board and, in particular, focus is given to explaining the complex and evolving science behind Abcam's business, together with updates on corporate governance, including training on the new Market Abuse Regulation and changes to the UK Corporate Governance Code.

Director independence

The Board considers all Non-Executive Directors to be independent within the meaning of the Code, with the exception of Jonathan Milner. Jonathan is a founder of Abcam and was an Executive Director of the Company until September 2014. Details of his interest in Abcam shares can be found on page 43. Mara Aspinall received an additional small consultancy fee of £6,000 on top of her Non-Executive Directorship fee until the year end, to reflect the fact that she provides support to the Company in the field of *in vitro* diagnostics. The Board did not consider this additional fee to affect her independence as a Non-Executive Director. This fee has been consolidated into Mara's NED fee from 1 July 2016.

All Directors maintain a conflicts of interest declaration and any planned changes to their interests, including directorships outside the Group, are notified to the Board. There were no relationships declared in the year which were considered to be of a material nature to Abcam's business and therefore there was nothing that was deemed to impact on the independence of the Directors. While the obligation to notify the Company is immediate, the Conflicts of Interest Register is maintained by the Company Secretary and is formally reviewed at each Board meeting.

The beneficial interests of the Non-Executive Directors in the share capital of the Company, which are set out on page 43, do not, in the opinion of the Board, detract from their independent status, apart from Jonathan Milner, who is not considered to be an independent Non-Executive Director.

A review of the Non-Executive Directors' fee structure was undertaken in September 2016 and it was agreed that, for the financial year 2015/16 onwards, the Non-Executive Directors' fees would be delivered with two-thirds in cash and one-third in Abcam's fully paid ordinary shares. More details are provided on page 41 of the Remuneration Report.

The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present, and the Non-Executive Directors, led by the Senior Independent Director, meet without the Chairman present at least annually to appraise the Chairman's performance.

Board evaluation

The Board undertakes a regular evaluation of its own performance and the last formal review was undertaken earlier this year by the Chairman. The review concluded that the Board and its individual members continue to perform effectively in an environment where there is constructive challenge from the Non-Executive Directors, and operate within a framework of sound governance and practices which are consistent with the principles set out in the Code.

Corporate governance report continued

Accountability

Risk management

The Board has overall responsibility for ensuring that the Group maintains a sound system of risk management and internal control in accordance with the new 2014 Code provisions. Following the amendment of the terms of reference of the Audit Committee to include risk in August 2015, the name of the Committee was changed to the Audit and Risk Committee. This Committee has undertaken a thorough review of the Company's risks and internal controls, with assistance from Deloitte LLP, and a number of measures have been implemented to ensure the risk management and internal control practices are strengthened to support the Company's strategy and growth potential. A new risk appetite statement (page 14) has been approved by the Board and incorporated into the risk policy, the risk framework and the Company culture. The principal risks identified are set out on pages 15 to 19.

Financial reporting

The Board is responsible for reviewing and approving the Annual Report and Accounts and the interim financial information and for ensuring that these reports present a balanced assessment of the Group's position. Drafts of these reports are provided to the Board in a timely manner and Directors' feedback is discussed and incorporated where appropriate, prior to publication.

In addition, the Board ensures controls over the financial reporting process and preparation of the consolidated accounts consists of extensive reviews by qualified and experienced individuals to ensure that all elements of the financial statements and appropriate disclosure are considered and accurately stated.

Whistleblowing procedures

The Group operates a whistleblowing policy which allows all employees to raise concerns to senior management in strict confidence about any unethical business practices, fraud, misconduct or wrongdoing. They can do so without fear of recrimination and the Audit and Risk Committee receives any such confidential reports.

Market Abuse Regulation

As a result of the new Market Abuse Regulation (MAR) which came into effect on 3 July 2016, the Company has established a Disclosure Committee. The role of the Disclosure Committee is to identify inside information, ensure the appropriate disclosure of inside information and maintenance of insider lists ensuring that effective internal controls are in place to keep any inside information confidential, in accordance with MAR and the AIM Rules.

Relations with shareholders

The Board is committed to maintaining an open and constructive dialogue with shareholders to ensure there is a common understanding of the strategic objectives, governance and performance of the Company.

The main points of contact for major shareholders are the CEO, the CFO, the Senior Independent Director (SID), the Chairman and the Head of Investor Relations. Following the announcement of the interim results there was an extensive roadshow over three weeks with most of the top shareholders of the Company, with the CEO and the CFO present. Any feedback gained from the roadshow is reported back to the Board to enable the Board to understand the views of major shareholders. During 2016 the major shareholders were contacted to have the opportunity to meet the Chairman or the SID to discuss Abcam's strategy and governance arrangements.

Where appropriate, the Company consults with shareholders on significant issues. During 2016 major shareholders of the Company were consulted regarding the change in the CEO's salary with an opportunity to be able to contact the SID or the Chairman regarding any questions or concerns they may have had.

In addition, following investment analyst meetings and investor roadshows, our financial public relations advisors consult such analysts, and our corporate brokers gather investor feedback which they relay to the Board. J.P. Morgan Cazenove continued to act as the Company's nominated advisor and broker.

Annual General Meeting

The Chairman actively encourages the participation of all Directors in the AGM, which is the principal forum for dialogue with shareholders. A presentation is made outlining recent developments in the business, and a question and answer session follows to enable shareholders to ask about the business in general.

Audit and Risk Committee

Sue Harris
Audit and Risk Committee Chairman

Committee members

- Sue Harris (Chairman)
- Anthony Martin
- Louise Patten

As Chairman of the Audit and Risk Committee, I am pleased to present our report for the year ended 30 June 2016. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Company's financials.

Effective Committee governance

The Committee acts independently of management to ensure the interests of shareholders are appropriately protected in relation to financial reporting, internal control and risk management. All members of the Committee are independent Non-Executive Directors with a combination of accounting, financial and commercial experience in listed companies both inside and outside of the biotechnology sector. Committee meetings are also attended, by invitation, by the Chief Financial Officer, the Chief Legal Officer and Company Secretary (acting as secretary to the Committee), the Financial Controller and, where appropriate, other members of the Board. Representatives of the Group's external auditor also attend by invitation and meet with the Committee at least twice a year without Executive Directors or Company management being present.

The Committee is required to include one financially qualified member. I currently fulfil this requirement being deemed by the Board to have recent and relevant financial experience as a qualified accountant with over 30 years' financial and commercial experience in listed companies.

We continue to consider the provisions of the UK Corporate Governance Code (Code) and the FRC Guidance on Audit Committees. The Committee has focused on implementing the new requirements introduced by the 2014 edition of the Code, and has assisted the Board in defining our risk appetite and conducting a broader risk assessment (see page 14), and in this context, assessing our longer-term financial viability (see page 15).

Key responsibilities of the Committee

The Committee's principal duties are to:

- monitor the integrity of the Group's financial reporting, including the review of significant financial reporting judgements;
- advise the Board on whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable;
- advise the Board on principal risks, their mitigation and risk appetite;
- review and approve the robustness of our risk management and internal controls;
- oversee assurance work;
- oversee the Group's external audit process, including monitoring the auditor's independence, objectivity, effectiveness and performance;
- approve any engagement by the external auditor outside of the Group's audit; and
- review and monitor the whistleblowing policy and activity.

Committee activities

The key areas of Committee activity during the year included:

Financial reporting

- reviewing the Annual Report and Accounts, the interim management statements, associated analyst presentations and press releases and challenging where appropriate, with particular consideration around key judgements;
- advising the Board that taken as a whole the Annual Report and Accounts is fair, balanced and understandable;
- reviewing the basis for the Going Concern Statement in light of financial plans and reasonably likely scenarios and recommending to the Board that the Company is a going concern; and
- reviewing the Longer Term Viability Statement (LTVS), considering the appropriateness of the five-year time period on which the LTVS is based, linkage to strategy, principal risks, the assumptions, underlying stress-testing and scenario analysis.

Internal control

- considering the effectiveness and integrity of the internal controls framework underpinning the Annual Report and Accounts;
- receiving appropriate management reports with emphasis on share-based payments and payroll controls; and
- monitoring an upgrade of the legacy financial accounting system and design principles for the financial component of the strategic ERP investment.

Audit and Risk Committee continued

Committee activities continued

Risk management

- undertaking significant work on principal risks and risk appetite to ensure effective and continual improvement in risk management, including advising on reporting in the context of compliance with the Code, which appears on pages 14 to 19;
- reviewing and challenging the assessment of business-wide risks and actions to mitigate;
- reviewing disaster recovery and business continuity plans;
- reviewing and approving an enhanced hedging strategy and policy; and
- reviewing the appropriateness of the tax and financing structure options following recent acquisitions and changes in the tax regimes in the countries in which we operate to ensure alignment with the Company's tax strategy.

External audit

- approving the annual audit plan and risk identification;
- reviewing the findings of the auditor and management's response and ensuring robust challenge;
- reviewing the independence, objectivity, performance and effectiveness of the auditor; and
- approving the level of fees paid to the auditor for audit and non-audit services.

Whistleblowing

- reviewing and considering the operation of the Group's whistleblowing process.

External audit

Appointment and tendering

PricewaterhouseCoopers LLP (PwC) has served as Abcam's external auditor since September 2013, when a full tender process was carried out. The current audit partner has served since the firm's appointment and is due for rotation after completion of the audit for the year ending 30 June 2018. Following the review of PwC's continued objectivity, independence and performance in respect of the 2015/16 financial year, and having received an expression of willingness to continue in office as external auditor, the Committee recommended to the Board the re-appointment of PwC as the Company's external auditor for the 2016/17 financial year, subject to approval at the AGM. There were no contractual obligations that inhibited or influenced the Committee's recommendation.

Effectiveness

The Committee undertakes an annual assessment of the effectiveness of the external auditor, taking into account the views of both financial and commercial management in addition to the Non-Executive Directors to facilitate continued improvement in the external audit process.

The assessment considers:

- delivery of a thorough, robust and efficient global audit in compliance with agreed plan and timescales;
- provision of accurate, robust and perceptive advice on key accounting and audit judgements, technical issues and best practice;
- a high level of professionalism and technical expertise consistently demonstrated by all audit staff;
- maintenance of continuity within the core audit team; and
- strict adherence to independence policies and other regulatory requirements.

The Committee concluded that the above factors had been met, with a constructive working relationship between the external auditor and members of management, and that the external auditor demonstrated continued commitment to the performance of high-quality audit work.

Independence and objectivity of external auditor

Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor, which were reviewed by the Committee and found to be satisfactory. The Committee has a policy for approving all non-audit services undertaken by the auditor to ensure that its objectivity is not compromised. The policy is to appoint the advisor in the best position to advise the Company on each matter and in some cases the external auditor may be used in preference to other service providers where its detailed knowledge of the business is deemed significant. Details of fees paid to PwC during the year are outlined in note 7 of the financial statements. Non-audit fees were paid to PwC during the year, mainly in respect of its review of the Company's interim results. As it is usual practice for these non-audit services to be provided by the auditor, the Committee does not consider that auditor independence has been impacted.

Internal controls framework and risk management

The Committee reviews the effectiveness of the risk management and financial controls framework. A rolling programme of assessing the effectiveness of key processes and controls globally has been implemented. The internal reviews carried out in the year highlighted no significant control failings. Further details on Abcam's risk framework can be found on page 14.

Internal audit

The Committee concluded that given the size, complexity and global nature of the Group's operations, it is now appropriate that the Group establishes dedicated internal audit resource, to enable assurance activities to be appropriately extended. After discussions with external experts it was decided that engaging an external professional firm to provide such services was the best way forward for a company of our scale. A tender process was carried out and KPMG was selected.

Review of financial statements and audit findings

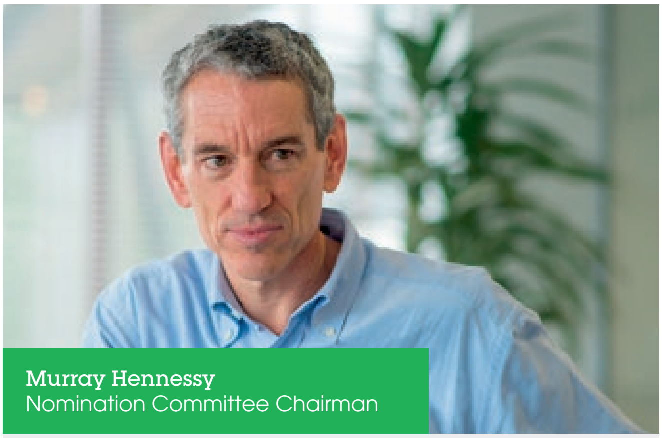
The Committee considered the following significant financial issues in relation to the Company's financial statements and disclosures, with input from management and the external auditor:

Issue	Assessment
Purchase accounting for the Group's acquisition of AxioMx	The Committee reviewed and critiqued the critical accounting judgements and estimates used in accounting for the contingent consideration and in the purchase price allocations, particularly the valuation of acquired intangible assets, and satisfied itself that these were reasonable and appropriately applied. The Committee considered whether the acquisition should give rise to an additional cash-generating unit (CGU) for impairment testing purposes, and concluded that AxioMx is not a CGU (see note 12). These matters were addressed by the Committee through the review of reports from external valuation consultants and management, which discussed the assumptions used. In addition, as a principal area of audit focus, PwC provided detailed reporting to the Committee in respect of these matters. Further information is available in note 29 to the consolidated financial statements.
Purchase accounting for the Group's acquisition of Firefly Bioworks Inc	The Committee reviewed and challenged adjustments made to Firefly Bioworks Inc purchase accounting within the first year post the acquisition. In particular the treatment of Firefly Bioworks Inc tax losses was reviewed, including technical guidance from an external accounting firm.
Taxation	The Committee reviewed a number of tax-related matters in connection with acquisitions, including the treatment of tax losses and the appropriateness of its financing structure post the acquisitions. The Committee reviewed elections in relation to R&D tax credits and transfer pricing.
Longer Term Viability Statement	The Committee reviewed the assessment of the viability of the Group. This assessment was based upon the Group's financial and operating plans and risk assessment, and included appropriate scenario analysis. The Committee was satisfied that a period of five years was suitable and that the viability statement be provided.
Strategic IT investment	Following a strategic review of the IT platforms, tools and business processes used across all functions and geographies of the Company, a decision was made to make significant investment in the Group's systems and processes, covering all parts of the business. The project is complex with multiple phases, and implementation will extend into the next financial year. The Committee reviewed the proposed accounting treatment for all elements of project costs over the life of the project paying particular attention to the principles behind the capitalisation of costs and the reporting of non-capex elements.
Inventory and property, plant and equipment valuation for in-house manufactured items	Inventory manufactured in house is valued using a standard cost approach, on a first-in, first-out basis. The Group also capitalises, within property, plant and equipment, the costs of new hybridoma and assay development. As part of the standard costing an element of overheads is allocated to the valuation. The Committee discussed the calculation methodologies with management and also reviewed the report from the auditor on the results of its testing.
Inventory provisioning	The calculation of the inventory provision includes a degree of judgement of the likelihood that individual products will be sold at some point in the future, at a value equivalent to or greater than cost. The Committee's review included an assessment of the reasonableness of future sales forecasts (which are based on actual sales patterns in previous years) and the shelf life of those products.

Susan Harris

Sue Harris
Audit and Risk Committee Chairman

Nomination Committee



Murray Hennessy
Nomination Committee Chairman

Committee members

- Murray Hennessy (Chairman)
- Sue Harris
- Louise Patten
- Michael Ross

Key responsibilities of the Committee

The Committee is responsible for reviewing Board composition and balance, considering the skills and capabilities required for each new Board appointment, leading the process for Board appointments, making recommendations to the Board in relation to new appointments, and reviewing succession planning.

Board diversity and appointments procedure

Abcam recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. Board composition is central to the effective leadership of the Group and, therefore, prior to commencing any search for prospective Board members, the Committee draws up a specification, reflecting on the Board's current balance of skills and experiences and those that would be conducive to the delivery of the Company's strategy. Selection for Board appointments is made on merit against this specification and not by reference to a prescribed quota.

Board appointments in the year

Following a review of the structure, size and composition of the Board including skills, knowledge and diversity, Mara Aspinall was appointed to the Board as a Non-Executive Director on 14 September 2015 to strengthen the Company's commercial experience of selling life science reagents into diagnostic and pharmaceutical markets. Mara's experience of leading the world's largest diagnostic company and also as president of a pharmaceutical company add considerable breadth and depth to the Board. Abcam's largest market is the USA, and Mara's extensive experience in that market has brought balance to a largely European-based Board. In addition, her appointment has served to increase further the gender diversity of the Board.

Jeff Iliffe resigned from the position of CFO on 14 September 2015 and, after consideration of a number of candidates proposed by an external headhunting firm, Gavin Wood was appointed to succeed as CFO-elect on 18 July 2016 and will be appointed as an Executive Director of Abcam plc on 12 September 2016 after a period of handover. Gavin brings directly relevant industry experience with a track record of financial control, systems implementation experience, market knowledge and transactional experience. As we look ahead to building our business, we are confident that Gavin has the skills and leadership to strengthen our team and deliver results.

Gender diversity

Following the appointment of Mara Aspinall as a Non-Executive Director on 14 September 2015, female representation on the Board rose to 30%, from 22% during the previous financial year. We have also made good progress in terms of gender diversity generally, with more women now filling senior management positions across the business and we continue to focus on this important area. More detail on gender diversity in the Company can be found on page 30 in the corporate governance section of the report.

Future changes to the Board

Jim Warwick has notified the Company of his intention to retire on 31 December 2016 and, following the review of the size, structure and skills of the remaining Board, and the introduction of the Executive Leadership Team at the next level of management, it was decided that the Company will not appoint a successor at this point in time.

Michael Ross and Anthony Martin will be standing down from the Board shortly before the forthcoming AGM. The Nomination Committee will continue to review the composition of the Board and Committees to ensure that the requirements of the business can be met, and it is envisaged that an additional Non-Executive Director will be appointed in 2017.

Priorities for 2016/17

A key role of the Committee is to ensure that plans are in place for the orderly and progressive refreshing of the Board and to identify and develop individuals with potential for Board and senior leadership positions. In the coming year the Committee will focus in particular on coaching and mentoring the Executive Leadership Team (ELT) to maximise its effectiveness through a newly introduced mentoring programme and will also continue to review succession plans to ensure actions are in place in both the short and long term to address any gaps.

Murray Hennessy
Nomination Committee Chairman

Remuneration report

Part 1a – Remuneration Committee Chairman's statement

Louise Patten
Remuneration Committee Chairman

Committee members

- Louise Patten (Chairman)
- Sue Harris
- Anthony Martin

On behalf of the Board, I am pleased to present you with the Committee's report for the year ended 30 June 2016.

Following another year of significant growth, investment and continued change for Abcam, I would like to provide you with an overview of the Committee's major decisions during 2015/16, together with the context in which these decisions were taken.

Although Abcam is not required by the AIM Listing Rules to provide all of the information detailed in this report, the Directors have chosen to do so in accordance with best practice and in order to provide greater transparency to shareholders. We were pleased to receive a high level of shareholder support for last year's Annual Report on Remuneration at the 2015 AGM, with 99.64% voting in support of the report. We will also put this Annual Report on Remuneration to an advisory vote at the forthcoming AGM.

Strategic review of remuneration

As detailed in last year's Annual Report, the Committee undertook a strategic review of the approach to remuneration in 2015, to ensure it was aligned with Abcam's evolving strategy and growth aspirations, as it entered a new phase of its development. Deloitte assisted the Committee with the strategic review, and feedback was obtained from major shareholders. Although not required for an AIM-listed company, the Directors chose to put the resulting revised Remuneration Policy to an advisory vote at the 2015 AGM, which was approved by 91.46% of shareholders. We believe that the Remuneration Policy continues to balance the particular requirements of our business with good practice and there are no proposed changes for this year. A vote on the Remuneration Policy is therefore not necessary this year, and a copy can be found on the Company's investor relations website at www.abcamplc.com.

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and other related regulations.

Share ownership

In addition to the policy changes referred to above, the Committee has extended the shareholding policy to apply to all of the Executive Leadership Team (ELT) to align them with our philosophy of executive share ownership.

Executive Director changes

As discussed elsewhere in this Annual Report, 2016/17 will see changes to the Executive Directors following the departure of the Chief Financial Officer (CFO), Jeff Iliffe, on 13 September 2016 and the retirement of the Chief Operating Officer (COO), Jim Warwick, on 31 December 2016. Details of their departure arrangements can be found on page 42.

Gavin Wood joined as CFO-elect on 18 July 2016, and he is due to be appointed as an Executive Director on 12 September 2016. Although Gavin Wood was not an Executive Director during the 2015/16 financial year, we are providing a summary of his remuneration arrangements on page 47. It is not currently intended that the position of Chief Operating Officer (COO) will be replaced due to the introduction of the ELT at the next level of management.

Base salary for Executive Directors and the Company Chairman's remuneration

Hiring and retaining key talent are essential to Abcam's strategy as we invest to grow the business further. The Remuneration Committee's policy is to offer remuneration which is competitive with comparable publicly listed companies, and to provide incentives which fairly and responsibly reward individuals for their contribution to the success of the Group.

- The Remuneration Committee decided to increase Alan Hirzel's salary to £480,000 from £320,000 with effect from 1 July 2016 to address the current shortfall in his salary against external benchmarks where our research showed him to be below the market lower quartile, and to maintain a suitable pay differential with other senior roles in the Company. Alan was appointed as CEO in September 2014, and his salary had not been increased since then. Over the same period, the business has been undergoing a significant transformation and Abcam's market capitalisation has increased from £0.9bn to around £1.5bn. The Remuneration Committee felt strongly that it is in the best interests of the Company for its CEO to be paid a base salary that recognises the market value of the role, and the performance of the Company under his leadership.
- The CFO, Jeff Iliffe, and the COO, Jim Warwick, will not receive increases to their base salary in 2016/17 following their respective announcements of stepping down and planned retirement.
- Gavin Wood joined Abcam as CFO-elect on 18 July 2016 and he is due to be appointed as an Executive Director on 12 September 2016. His base salary has been set at £300,000 by the Remuneration Committee, to recognise the market value of the role, and Gavin's skills and experience.
- No increase will be made to the Chairman's remuneration in 2016/17.

Remuneration report continued

Part 1a – Remuneration Committee Chairman's statement continued

2015/16 remuneration out-turns for Executive Directors

- Annual Bonus Plan – the annual bonus out-turns in 2015/16 were 100.0% and 137.9% of the target award for financial and strategic measures respectively, reflecting a good performance against stretching targets during the year. This year, as an exceptional measure, the personal objective for the entire Senior Leadership Team (including the Executive Directors) was the achievement of employee engagement targets. While out-turn against this personal objective was 50% of the target award, the specific target set was extremely stretching and delivery against it has made a measurable and continuing improvement to the business. Further details regarding achievement against each performance target are set out on page 40. 30% of Alan Hirzel's total award will be deferred into shares for a further two years, in accordance with the rules of the Annual Bonus Plan.
- Long Term Incentive Plan (LTIP) – the annualised compounded EPS growth over the three-year performance period ended 30 June 2016 was 4.3% against a minimum target of 10.5% and a maximum target of 15.0%; therefore, the awards granted under the LTIP on 25 November 2013 and 16 December 2013 will not vest.

Future review

The Remuneration Committee will continue to monitor the current arrangements to ensure they remain aligned with Abcam's strategic goals and shareholder interests.

Louise Patten
Remuneration Committee Chairman

Part 2 – Directors' Remuneration Policy

A new Directors' Remuneration Policy was approved in an advisory vote by shareholders at the 2015 AGM and is available on the Company's investor relations website at www.abcamplc.com.

Part 3 – Annual Report on Remuneration

AUDITED INFORMATION

a) 2015/16 single figure for total remuneration for Executive Directors

The aggregate remuneration provided to Directors who have served as Executive Directors in the year ended 30 June 2016 is set out below, along with comparatives for the prior year.

Single figure for total remuneration

	Alan Hirzel[2]		Jeff Iliffe		Jim Warwick	
	2015/16 £000	2014/15 £000	**2015/16 £000**	2014/15 £000	**2015/16 £000**	2014/15 £000
Salary	**320**	306	**265**	265	**265**	265
Taxable benefits	**2**	1	**2**	2	**2**	2
Annual bonus	**175**	235	**145**	182	**145**	191
Deferred bonus	**75**	101	**—**	78	**16**	82
Long-term incentives	**—**	5	**—**	24	**—**	25
Pension-related and other benefits[1]	**42**	37	**29**	29	**2**	5
Total remuneration	**613**	685	**441**	580	**429**	570

1 In place of pension contributions that can no longer be contributed in a tax-efficient way, an additional cash allowance and/or provision of certain benefits have been provided to Jim Warwick since 6 April 2012 and to Jeff Iliffe from 6 April 2014. The value of these cash payments and benefits has been disclosed within pension-related and other benefits in the table above. Jim Warwick waived his entitlement to £30,000 (2014/15: £26,000) of these payments in lieu of retirement benefits. The Company made donations to charities of its choice amounting to the total amounts waived.

2 Alan Hirzel joined Abcam on 5 August 2014 on a base salary of £244,800. On his promotion to CEO on 9 September 2014 he received an increase in base salary to £320,000. He has not received an increase in base salary between that date and the end of the financial year, 30 June 2016.

AUDITED INFORMATION continued

a) 2015/16 single total figure of remuneration for Executive Directors continued

The figures in the single figure for total remuneration table on page 38 are derived from the following:

Salary	The amount of base salary received in the year.
Taxable benefits	The taxable value of benefits received in the year.
Annual bonus	The value of the cash bonus earned in respect of the year under the Annual Bonus Plan (ABP).
Deferred bonus	The value of the bonus in respect of the year under the ABP, which will be deferred as a nil-cost option or conditional share award over Abcam plc shares, for at least two years from the date of award. The deferred element is not subject to further performance conditions, but vesting requires continuation of employment.
Long-term incentives	The value of performance-related incentives whose performance targets relate to a period ending in the relevant financial year and the value of Free and Matching Shares granted in the year under the HMRC tax-advantaged SIP, based on the fair value of the shares at the date of grant. The values shown in the 2014/15 column relate to the LTIP award granted in 2011 and the LTIP award granted in 2012. The 2011 LTIP was based 50% on TSR and 50% on EPS and was due to vest on 1 November 2014. This award meets neither the minimum performance conditions of a TSR above the median performance of FTSE 250 companies over the three-year holding period nor an EPS growth in excess of 52.1%. This award therefore lapsed. The 2012 award was based on compound EPS performance and vested on 1 November 2015, valued at the average mid-market closing share price over the last three months of the financial year. The values shown in the 2015/16 column relate to the LTIP award made in 2013 based on compound EPS performance, which will not vest.
Pension-related and other benefits	The value of the employer contribution to the defined contribution pension plan (or the value of a salary or benefit supplement paid in lieu of a contribution to this pension plan).

Details of individual elements of remuneration

Base salary

There were no base salary increases for the Executive Directors in the year ended 30 June 2016.

Taxable benefits

Benefits comprise amounts in respect of life insurance, private medical cover and annual health screening.

Annual and deferred bonus

For the year ended 30 June 2016, the maximum bonus opportunity for Executive Directors was 150% of salary. The bonus under the ABP consisted of three elements: Group profit performance, achievement of specific Group strategic goals and individual performance targets. For Alan Hirzel, 30% of the bonus will be deferred into Abcam plc shares for a further two years from the date of approval of these audited financial statements, subject to continuation of employment.

For the year ended 30 June 2016, Jeff Iliffe will not receive a deferred share award as he will be leaving Abcam on 13 September 2016. Jim Warwick's deferred share award for the year ended 30 June 2016 will be pro-rated to reflect that he will be staying with Abcam until his planned retirement on 31 December 2016. The deferred element is not subject to further performance conditions.

The Committee exercised its discretion to exclude losses from AxioMx, which was acquired during the financial year, from the calculation of the Group's adjusted profit before tax, in common with the approach taken last financial year following the acquisition of Firefly Bioworks Inc.

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

AUDITED INFORMATION continued

a) 2015/16 single total figure of remuneration for Executive Directors continued

Details of individual elements of remuneration continued

Annual and deferred bonus continued

The targets and performance outcomes which resulted in the annual bonus shown in the single figure for total remuneration table are as follows:

Annual Bonus Plan element	Performance

Financial (50% of total bonus)

Financial performance is based on the Group's adjusted profit before tax, AxioMx results, one-off items and cash bonuses on a budgeted exchange rate basis.

The table below shows the target ranges for 2015/16:

	Adjusted PBT, at budgeted exchange rates and before tax, AxioMx results, one-off items and cash bonuses	% of maximum
Threshold	£53.0m–£55.0m	25%
Target	£55.0m–£57.0m	50%
Exceed	£57.0m–£59.0m	75%
Maximum	>£59.0m	100%

Overall out-turn was in line with target.

Strategic (33% of total bonus)

The strategic goals' performance measures are aligned to the Group's four KPIs: RabMAb® primaries revenue growth, non-primaries revenue growth, NPS and market position. Our performance in the year against these KPIs is presented on page 13.

The table below shows each strategic KPI measure, its relative weighting and an indication of the targets:

Strategic measure	Weighting	Threshold	Target	Exceed	Maximum
RabMAb® primaries CER revenue growth	13%	18%–23%	23%–26%	26%–28%	>28%
Non-primaries CER revenue growth	7%	26%–32%	32%–34%	35%–36%	>36%
NPS	10%	18%–26%	26%–28%	28%–30%	>30%
Market position	3%	Target to maintain #1 position in research primary antibodies as well as to improve market share in at least two other areas			

Achievement was as follows:

	Threshold	Target	Exceed	Maximum
% of maximum	25%	50%	75%	100%
RabMAb® primaries CER revenue growth				✓
Non-primaries revenue growth	✓			
NPS		✓		
Market position				✓

Overall out-turn was 137.9% of the target.

Personal (17% of total bonus)

The personal objective out-turn was 50% of the target for Executive Directors, reflecting the common personal objective shared across the Senior Leadership Team, as described above.

Long-term incentives

The values shown in the 2015/16 column in the single figure for total remuneration table relate to the 2013 LTIP award which will not vest. The award was based on compound EPS performance over the three years ended 30 June 2016 with an annual target of 10.5% for minimum vesting and 15.0% for maximum vesting.

The Company's annualised, compounded unadjusted EPS growth over the three-year performance period ended 30 June 2016 is detailed on page 38.

Retirement benefits

The Company operates a flexible benefits scheme under which the Executive Directors are entitled to contributions to be made by the Company on their behalf equivalent to 12% of base salary. Each Executive Director can choose how to spend this contribution amongst the specific benefits available and also has the option to sacrifice an element of base pay to make additional pension contributions into the Company's money purchase pension scheme or to purchase other benefits.

Where Executive Directors have elected to preserve their current lifetime allowance for pension contributions, meaning that no further pension contributions can be made into their pension schemes, they are entitled to draw a cash supplement or other benefits equivalent to the cost to the Company of their pension entitlement, as adjusted for employer's NI contributions, such that the Company is in a neutral position. Where Executive Directors exceed their annual allowances, the Remuneration Committee has agreed that a cash supplement or other benefits equivalent to the cost to the Company of the balance of their pension entitlement may be made, as adjusted for employer's NI contributions provided that the Company is in a neutral position. These amounts have been included within the pension-related benefits disclosed in the single figure for total remuneration table on page 38.

AUDITED INFORMATION continued

b) 2015/16 single figure for total remuneration for the Chairman and Non-Executive Directors (NEDs)

During the year the Company extended its share ownership philosophy to the Chairman and NEDs by changing their fee structure so that part of their fees will be delivered as a fixed number of Abcam shares.

The fixed number of shares was determined following the announcement of the Company's annual results for the 2014/15 financial year. This was calculated as one-third of their total fee for the financial year ended 30 June 2015 (including any payments for attendance at Committee meetings and Chairmanship fees) divided by £5.95, being the average share price for the ten dealing days following the announcement of the Company's annual results for the 2014/15 financial year. The number of shares will be fixed until the year ended 30 June 2018, when it will be reviewed. A net number of shares are delivered annually after normal PAYE and National Insurance deductions. Each of the Non-Executive Directors has committed not to transfer or sell the shares during the term of their non-executive directorship.

Single figure for total remuneration

	Fees			
	2015/16			2014/15
	Total fee £000	Delivered as cash £000	To be delivered as shares[4]	Total fee £000
Murray Hennessy[1]	150	100	50	129
Jonathan Milner[2]	70	47	23	57
Sue Harris	50	33	17	28
Anthony Martin	40	27	13	39
Louise Patten	50	33	17	50
Michael Ross	35	23	12	35
Mara Aspinall[2]	32	21	11	—
Total remuneration	427	285	142	338

1 Murray Hennessy was appointed Chairman on 3 November 2014, having previously served as a Non-Executive Director. His fees disclosed in the table above include the total amount payable to him during the year in respect of each role.

2 Jonathan Milner transferred from CEO to Non-Executive Deputy Chairman on 9 September 2014. The 2014/15 fees in this table are those payable in his Non-Executive capacity only from that date.

3 Mara Aspinall was appointed to the Board of Directors on 14 September 2015. The fees in this table represent her annual non-executive fee of £34,400 and the annualised consultancy fee of £6,000 pro-rated from her date of appointment until 30 June 2016.

4 The fixed number of shares will be awarded at the beginning of the first open period following the announcement of the annual results in September 2016.

c) Executive Directors' scheme interests awarded during 2015/16

Executive Director	Type of interest awarded	Award basis	Face value of award £000[4, 5]	% vesting at minimum performance requirements	Retention period	Performance period	Date of award	Date of vesting
Alan Hirzel[1]	LTIP	125% of base salary (less the value of SIP Free and Matching awards)	396	25%	40% on 6 Nov 18 20% on 6 Nov 19 20% on 6 Nov 20 20% on 6 Nov 21	1 Jul 15 – 30 Jun 18	6 Nov 15	6 Nov 18
Jim Warwick[2]	LTIP	100% of base salary (less the value of SIP Free and Matching awards)	261	25%	50% on 6 Nov 18 25% on 6 Nov 19 25% on 6 Nov 20	1 Jul 15 – 30 Jun 18	6 Nov 15	6 Nov 18
Alan Hirzel Jeff Iliffe Jim Warwick	SIP – Free Shares	Maximum award as per scheme rules	3 3 3	n/a	n/a	n/a	26 Oct 15	26 Oct 18
Alan Hirzel Jeff Iliffe Jim Warwick	SIP – Matching Shares	Maximum award as per scheme rules	2 2 2	n/a	n/a	n/a	26 Oct 15	26 Oct 18
Alan Hirzel Jeff Iliffe[3] Jim Warwick	ABP – deferred share award	Up to 45% of base salary	100 39 82	n/a	n/a	n/a	26 Oct 15	26 Oct 17

1 Awards made under the LTIP to Alan Hirzel are in the form of conditional shares and will be subject to an additional retention period following vesting as set out in the table above.

2 Awards made under the LTIP to Jim Warwick are in the form of nil-cost options and will be pro-rated based on time and performance to reflect his planned retirement on 31 December 2016. They will be subject to the additional retention period following vesting as set out in the table above.

3 Jeff Iliffe received 50% of the deferred share award for the year ended 30 June 2015 that he would have been granted but for his resignation. He will not receive a deferred share award for the year ended 30 June 2016.

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

AUDITED INFORMATION continued

c) Executive Directors' scheme interests awarded during 2015/16 continued

4 The share prices used to calculate the face value of the LTIP awards and the Free and Matching Shares under the SIP were the mid-market prices on the day prior to award date, being 598.50 pence for the 26 October 2015 awards and 598.00 pence for the 6 November 2015 awards.

5 The share price used to calculate the face value of the deferred share awards was the ten-dealing-day average share price prior to the date of award, being 595.00 pence.

The performance conditions for the 2015 LTIP awards are based 70% on target annualised compound EPS growth and 30% on strategic KPIs over the three-year period ending on 30 June 2018. In relation to EPS growth there will be 25% vesting at 8% compound growth and 100% vesting at 12% growth, with proportionate straight-line vesting between these two figures. The remaining performance measures are aligned to the Group's four KPIs: RabMAb® primaries revenue growth, non-primaries revenue growth, net promoter score (NPS) and market position.

All ABP and LTIP targets will be fully disclosed after vesting, unless full disclosure would expose the business to a clear competitive risk.

d) Executive Director departure arrangements

Chief Financial Officer (Jeff Iliffe)

Jeff Iliffe served notice of his intention to step down from the position of Chief Financial Officer on 14 September 2015. The Committee considered the overall circumstances of his departure as an Executive Director, as well as performance, contractual obligations and plan rules. The Committee's determinations, which were consistent with the Committee's termination policy, are set out below.

Remuneration element	Description
Payment in lieu of notice	Jeff Iliffe will work and be paid for his full notice period, which expires on 13 September 2016, although he will step down from the Board on 12 September 2016. No payment in respect of salary or benefits (or compensation in lieu) in respect of any period after his departure date of 13 September 2016 or compensation for loss of office will be made.
Base salary	No increase to base pay was awarded from 1 July 2015.
Retirement and other benefits	The benefits package will be maintained until his date of departure and not beyond.
ABP	Jeff Iliffe is eligible for the 70% cash element of his 2015/16 bonus, whilst the deferred share element relating to 2015/16 will not be granted. In respect of his 2014/15 bonus, only 50% of the deferred share award was made, which was a pro-rated amount to reflect his announced departure. Deferred share awards already accrued from previous years will vest at the normal time on the second anniversary of the date of grant. For 2016/17, it has been agreed by the Remuneration Committee that he will receive the cash element of the bonus only at target, pro-rated to his date of departure. No deferred share award will be paid in respect of the 2016/17 plan year.
LTIP	Unexercised but vested LTIP awards are capable of exercise within twelve months from the date of leaving. Unvested LTIP awards are subject to meeting the performance requirements and will be pro-rated for time and will be capable of being exercised within twelve months from their normal release dates. No LTIP award has been made following his resignation on 14 September 2015 and no LTIP award will be made in the financial year of his date of departure (2016/17).

Chief Operating Officer (Jim Warwick)

Jim Warwick will retire from the position of Chief Operating Officer on 31 December 2016. In line with the Committee's policy, the Committee considered the overall circumstances of his departure as an Executive Director, as well as performance, contractual obligations and the plan rules. The Committee's determinations, which were consistent with the Committee's termination policy, are set out below:

Remuneration element	Description
Payment in lieu of notice	No payment will be made in respect of salary or benefits (or compensation in lieu) in respect of any period after his departure date of 31 December 2016.
Base salary	No increase to base pay was awarded from 1 July 2016.
Retirement and other benefits	The benefits package will be maintained until his date of departure and not beyond.
ABP	Jim Warwick is eligible for the 70% cash element of his 2015/16 bonus in the normal way and will receive 25% of the deferred share award he would have been granted but for his retirement. For 2016/17, he will receive a cash bonus of 35% of base salary, subject to continued satisfactory performance in his leadership of the implementation of the ERP system. No deferred share award will be paid in respect of the 2016/17 plan year.
LTIP	Unexercised but vested LTIP awards are capable of exercise within twelve months from the date of leaving. Unvested LTIP awards are subject to meeting the performance requirements and will be pro-rated for time and will be capable of being exercised within twelve months from their normal release dates, subject to performance measures. No LTIP award will be made in the financial year of his retirement.

e) Payments to past Directors

There have been no payments to former Directors during the year.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests

The Committee introduced a shareholding guideline of two times salary for all Executive Directors from the date of the 2015 AGM. This level is to be built up over a period ending on the later of the fifth anniversary of appointment or the fifth anniversary of introduction of the policy, and ceases to apply after they cease to be an Executive Director of Abcam. Until their shareholding guideline is achieved, an Executive Director is prohibited from selling any shares they have acquired through a Company scheme. They will, however, be able to sell sufficient shares to satisfy any tax liability that may arise on the release or exercise of an award.

The extent to which each Executive Director has met the shareholding guideline as at 30 June 2016 is shown in the table below:

				Outstanding scheme interests[3,4,5]			
Executive Directors	Beneficial shareholding: number of shares[1] and as a percentage of salary[2]	Type	Owned outright	Unvested, subject to performance measures	Unvested, not subject to performance measures	Vested but unexercised	Total of all-share interests and outstanding scheme interests
Alan Hirzel	26,900 65%	Shares	26,900	—	—	—	26,900
		CSOP options	—	6,465	—	—	6,465
		LTIP 'A' awards[6]	—	6,465	—	—	6,465
		LTIP 'B' awards	—	123,210	—	—	123,210
		Deferred awards	—	—	27,475	—	27,475
		SIP Free	—	—	2,094	—	2,094
		SIP Matching	—	—	1,047	—	1,047
			26,900	**136,140**	**30,616**	**—**	**193,656**
Jeff Iliffe	329,831 958%	Shares	329,831	—	—	—	329,831
		Unapproved options	—	—	—	170,460	170,460
		CSOP options	—	6,465	—	—	6,465
		LTIP 'A' awards[6]	—	6,465	—	—	6,465
		LTIP 'B' awards	—	52,404	—	174,363	226,767
		Deferred awards	—	—	18,996	12,262	31,258
		SIP Free	—	—	2,094	—	2,094
		SIP Matching	—	—	1,048	—	1,048
			329,831	**65,334**	**22,138**	**357,085**	**774,388**
Jim Warwick	2,943,381 8,546%	Shares	2,943,381	—	—	—	2,943,381
		CSOP options	—	6,465	—	—	6,465
		LTIP 'A' awards[6]	—	6,465	—	—	6,465
		LTIP 'B' awards	—	96,075	—	169,310	265,385
		Deferred awards	—	—	26,192	12,931	39,123
		SIP Free	—	—	2,094	—	2,094
		SIP Matching	—	—	1,048	—	1,048
			2,943,381	**109,005**	**29,334**	**182,241**	**3,263,961**

1 Interests in shares owned outright at 30 June 2016, including shares held by connected persons.

2 Based on share price of 770.00 pence and salary at 30 June 2016.

3 Outstanding scheme interests under the LTIP, SIP and ABP (deferred share awards) take the form of rights to receive shares (nil-cost share options or conditional share awards). Outstanding CSOP, unapproved and EMI options take the form of rights to receive shares on payment of the relevant exercise price.

4 Details of each scheme interest held by each Executive Director are set out on the following pages.

5 Outstanding scheme interests under the LTIP for which the performance conditions were not met have been excluded.

6 Part 'A' awards under the LTIP refer to the first £30,000 of LTIP value awarded at the date of grant for awards prior to 30 June 2014. A corresponding CSOP option was also granted, with an exercise price equal to the share price at the date of grant, and subject to the same performance conditions. In respect of the LTIP Part 'A' award, subject to achievement of the relevant performance conditions, the participant will receive the lower of the number of shares with an aggregate value of £30,000 at the date of release and the number of shares originally subject to the award. Thus, £30,000 of gain will be subject to income tax/NI and any increase in value between the date of grant of the award and the date at which the shares are sold is delivered through the CSOP option and is subject to capital gains tax.

Non-Executive Directors are not eligible to participate in the Company's share schemes. Their beneficial shareholdings as at 30 June 2016 were as follows:

	Beneficial shareholding	Non-beneficial shareholding	Total shareholding
Murray Hennessy	26,975	—	26,975
Jonathan Milner	23,274,966	28,300	23,303,266
Sue Harris	—	—	—
Anthony Martin	—	—	—
Louise Patten	24,883	—	24,833
Michael Ross	—	—	—
Mara Aspinall	—	—	—

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

There have been no changes in the interests of the Executive Directors or NEDs between 30 June 2016 and the date of approval of the 2015/16 Annual Report and Accounts. With effect from 1 July 2015 it was agreed that the Non-Executive Directors would receive a portion of their fees as a fixed number of fully paid ordinary shares. These shares will be delivered as soon as practicable in the first open period following the announcement of the preliminary results in September 2016.

Reconciliations of the opening scheme interests to those at the end of the year are provided in the tables below, including grants, awards, exercises and lapses.

Details of scheme interests exercised in the year

Scheme	Type of award	Number of shares	Exercise price pence	Market price on date of exercise pence	Gain on exercise £
Jim Warwick					
LTIP 'B'	Unapproved	72,000	0.2	578.50	416,376

Details of outstanding scheme interests

LTIP and CSOP awards

Details of LTIP and CSOP awards outstanding for Directors who served during the year are as follows:

Name of Director	Type of award	Exercise price pence	Number of awards at 30 June 2015	Awarded[1]	Exercised	Lapsed	Number of awards at 30 June 2016	Number of vested awards at 30 June 2016[2]
Alan Hirzel	CSOP	464	6,465	—	—	—	6,465	—
	LTIP 'A' award	0.2	6,465	—	—	—	6,465	—
	LTIP 'B' award	0.2	56,998	66,212	—	—	123,210	—
			69,928	66,212	—	—	136,140	—
Jeff Iliffe	CSOP	464	6,465	—	—	—	6,465	—
	LTIP 'A' award	0.2	6,465	—	—	—	6,465	—
	LTIP 'B' award	0.2	251,644	—	—	(24,877)	226,767	174,363
			264,574	—	—	(24,877)	239,697	174,363
Jim Warwick	CSOP	464	6,465	—	—	—	6,465	—
	LTIP 'A' award	0.2	6,465	—	—	—	6,465	—
	LTIP 'B' award	0.2	319,992	43,671	(72,000)	(26,278)	265,385	169,310
			332,922	43,671	(72,000)	(26,278)	278,315	169,310
			667,424	109,883	(72,000)	(51,155)	654,152	343,673

1 The market price at the date of award for all awards made during the year was 598.00 pence.

2 These relate to the 2008, 2009, 2010 and 2012 awards and are included in the number of awards at 30 June 2016.

Annual Bonus Plan deferred share awards

Deferred share awards made under the ABP which remain outstanding at 30 June 2016 are outlined below:

Executive Directors	Nil-cost options or conditional shares held as at 30 June 2015[1]	Nil-cost options or conditional shares awarded during the year ended 30 June 2016[2]	Award date	Market price per share at award	Planned vesting date	Maximum nil-cost options or conditional shares held as at 30 June 2016
Alan Hirzel	10,538	16,937				27,475
Jeff Iliffe	24,715	6,543	26 Oct 15	595 pence	26 Oct 17	31,258
Jim Warwick	25,384	13,739				39,123
	60,637	37,219				97,856

1 These options relate to the awards made in September 2013 and November 2014 under the ABP for financial years 2012/13 and 2013/14 respectively. The 2012/13 award vested on 10 September 2015. The 2013/14 award will vest on 23 September 2016, following satisfactory completion of the two-year holding period.

2 These options relate to the awards made in September 2015 under the ABP for financial year 2014/15. Jeff Iliffe received 50% of the nil-cost options he would have received were it not for his resignation, so they would be pro-rated to reflect that he would be employed by the Company for approximately half of the two-year retention period.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

SIP

Abcam operates an HMRC tax-advantaged SIP for all UK employees. Under the SIP, awards are made as follows:

Free Share awards

Annual awards are made to UK-based staff, with a market value up to the HMRC limit, which in 2015/16 was £3,600 each (2014/15: £3,600). Awards take the form of a conditional entitlement to shares and will vest after three years' continuous employment with the Company.

Partnership and Matching Share awards

All UK-based employees are given the opportunity to invest up to the HMRC limit, which in 2015/16 was £1,800 per annum (2014/15: £1,800), to acquire new 'partnership' shares in the Company at market value. If these shares are held for three years and the employee remains employed by the Company during that time, then they will also receive an additional 'matching' share for each share acquired.

Dividend shares

Shares conditionally and beneficially held in the SIP are entitled to earn dividends in the form of shares. These are immediately beneficially owned and can be removed from the SIP by the participant with no penalty.

The following table sets out the shares purchased and awarded under the SIP in respect of each of the Executive Directors during the year.

		Conditionally awarded shares[1]				Beneficially owned shares		
Executive Director	Type of award	Number conditionally awarded as at 30 June 2015	Number conditionally awarded during the year	Number transferred to beneficial ownership during the year	**Number conditionally awarded as at 30 June 2016**	Number beneficially owned as at 30 June 2015	Number purchased/ acquired/ transferred to beneficial ownership during the year	**Number beneficially owned as at 30 June 2016**
Jeff Iliffe and Jim Warwick	Free	2,280	601	(787)	**2,094**	6,639	787	**7,426**
	Partnership	—	—	—	**—**	4,306	301	**4,607**
	Matching	1,140	301	(393)	**1,048**	3,166	393	**3,559**
	Dividend	—	—	—	**—**	1,311	278	**1,589**
		3,420	902	(1,180)	**3,142**	15,422	1,759	**17,181**
Alan Hirzel	Free	1,493	601	—	**2,094**	—	—	**—**
	Partnership	—	—	—	**—**	746	301	**1,047**
	Matching	746	301	—	**1,047**	—	—	**—**
	Dividend	—	—	—	**—**	69	59	**128**
		2,239	902	—	**3,141**	815	360	**1,175**

1 Conditionally awarded shares are dependent upon three years' continuous employment from the date of award.

The award/purchase of free, matching and partnership shares in the year took place on 26 October 2015, at a price of 598.50 pence per share.

The market price of the ordinary shares at 30 June 2016 was 770 pence and the range during the year was 499 pence to 770 pence.

Non-executive appointments at other companies

The following Executive Directors served as NEDs elsewhere and received and retained fees for the period covered by this report as follows:

Executive Director	Company	Fees £
Jeff Iliffe	Treatt plc	37,762
Jim Warwick	Quartix Holdings plc	35,000

Jeff Iliffe also serves on the board of trustees of a charity and does not receive fees for this appointment. Jim Warwick also serves on the board of Directors of an academy school and does not receive fees in respect of this position. Alan Hirzel was a Non-Executive Director of the UK National Citizen Service Trust until June 2016, for which he did not receive fees.

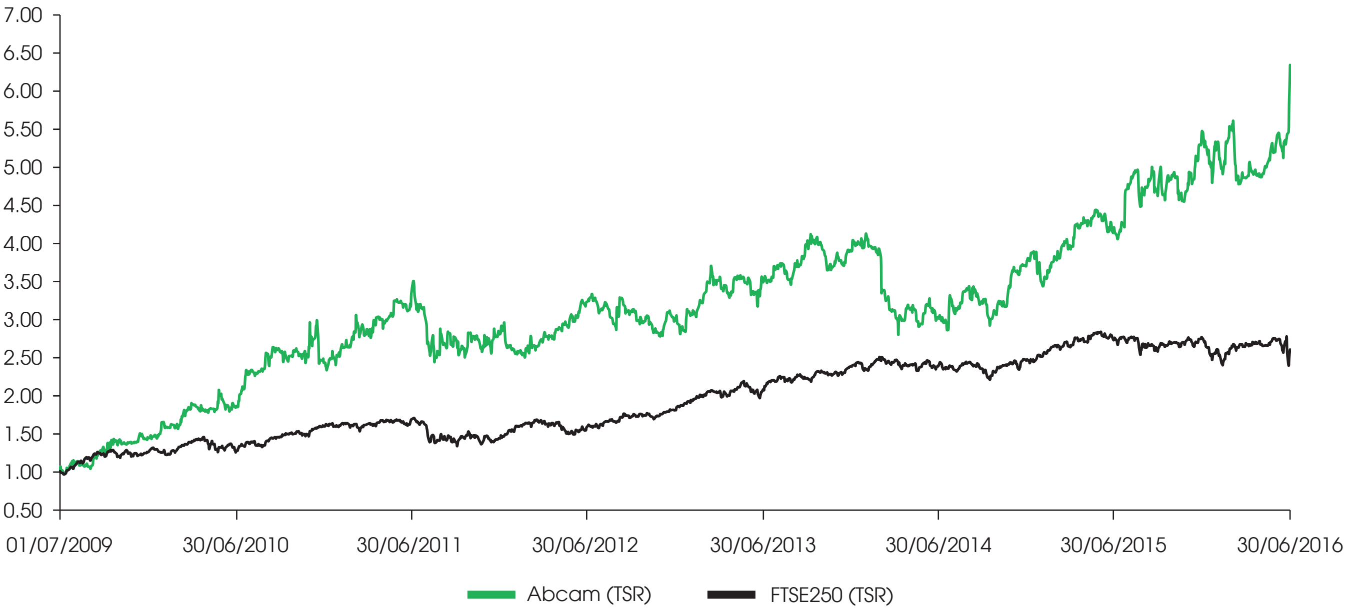
Remuneration report continued

Part 3 – Annual Report on Remuneration continued

UNAUDITED INFORMATION

The Company's TSR performance over the previous six years compared to a broad equity market is shown in the graph below. The FTSE 250 index has been chosen as the comparator index because Abcam would sit within this index if it was a Main Market-listed company and the Committee considers the relatively complex international nature of this index to be comparable to the Company's business operations where a large proportion of revenues are generated outside the UK.

g) TSR performance graph – rebased to 1.0



CEO remuneration

The table below shows the historic total remuneration for the person undertaking the role of CEO:

Financial year		CEO single figure of total remuneration £000	Annual bonus awarded against maximum opportunity	Long-term incentive vesting rates against maximum opportunity
2015/16	Alan Hirzel	613	52.0%	n/a[1]
2014/15	Alan Hirzel	685	73.3%	n/a[1]
2013/14	Jonathan Milner	642	56.8%	0%
2012/13	Jonathan Milner	821	71.2%	16.9%
2011/12	Jonathan Milner	739	60.0%	96.3%
2010/11	Jonathan Milner	805	62.7%	100%
2009/10	Jonathan Milner	716	100.0%	n/a

1 Vesting of long-term incentives is measured over a three-year performance period. Since Alan Hirzel has been employed by Abcam for less than three years, no long-term incentives have yet vested.

h) Percentage change in CEO remuneration

Abcam has an international workforce of more than 920 in seven countries. Due to the differing local pay levels across each of our overseas offices, the Committee considers the most meaningful comparator group to be the average remuneration of UK employees.

The following table shows the percentage change in remuneration between the years ended 30 June 2015 and 30 June 2016 for the CEO and this comparator group.

	Salary	Taxable benefits	Annual bonus[3]
CEO percentage change[1]	4.7%	175%	6.1%
Comparator group percentage change[2]	3.5%	3.5%	(5.4)%

1 In 2015/16 Alan Hirzel elected to receive Company-funded private medical insurance in addition to his existing benefits.

2 The comparator group is inclusive of promotions in the period.

3 The annual bonus scheme was extended to a wider employee population with effect from 1 January 2016. The average salary, target and maximum bonus potential of those employees added was lower than the comparator group for the prior year.

UNAUDITED INFORMATION continued

i) Relative importance of spend on pay

The table below shows Abcam's dividend payout increased by 9.4% versus the total Group employee pay expenditure increase of 28.8% for the financial years ended 30 June 2016 and 2015.

	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000	% increase
Dividend[1]	**18.1**	16.5	9.4%
Total employee pay[2]	**43.7**	33.9	28.8%

1 Dividends are the interim and final dividends paid in respect of the financial year ended 30 June 2015 and the interim dividend paid and the final dividend recommended in respect of the financial year ended 30 June 2016.

2 Total employee pay includes bonuses, employer social security, pension contributions, redundancies and share-based charges.

j) Implementation of Directors' Remuneration Policy in 2016/17

The following sections outline how the Remuneration Policy will be implemented in 2016/17.

Appointment of CFO

Gavin Wood joined Abcam as CFO-elect on 18 July 2016, and he is due to be appointed as an Executive Director on 12 September 2016. Although he was not an Executive Director during the 2015/16 financial year nor at the date of the publication of the Annual Report, in the interests of transparency, we are including details of his remuneration arrangements for 2016/17:

- His base salary was set at £300,000 by the Remuneration Committee, and recognises the market value of the role and Gavin's skills and experience.
- Gavin will be eligible to participate in the Annual Bonus Plan and LTIP, in accordance with the Remuneration Policy.
- In order to secure the appointment of Gavin Wood, the Remuneration Committee offered a one-off LTIP award equal to 100% of base salary, to be made to him in the first open period following his commencement of employment. Whilst this was not a buy-out of awards forfeited, as provided for under our Remuneration Policy, the Committee believed the LTIP award was necessary to address the competitive nature of the market and the need to secure a high calibre candidate from the small pool of talent with the international experience and expertise required for the role. The award aligns the interests of the CFO-elect with those of the shareholders immediately from his date of appointment. The award will be made at the same time as the 2016/17 LTIP award and 75% of the LTIP will be subject to the same performance conditions as the 2016/17 LTIP award. The remaining 25% will not be subject to performance conditions but will be released on the third anniversary of his appointment date subject to his continued employment.

Executive Directors' base salaries

The base salary of the CEO was increased to £480,000 from 1 July 2016 for the reasons discussed on page 37. There was no change to the base salaries of the COO and the CFO for the 2016/17 financial year.

		Salary 2015/16 £000	Change	Salary as at 1 July 2016 £000
Alan Hirzel	CEO	320	50%	**480**
Jeff Iliffe	CFO (resigned)	265	0%	**265**
Jim Warwick	COO (retiring)	265	0%	**265**
Gavin Wood	CFO-elect	—	—	**300**

Annual incentive, deferred bonus and LTIP awards

The overall performance framework for 2016/17 for Executive Directors remains unchanged and is as follows:

	Maximum % of salary	2016/17 measures	Weighting
Annual Bonus Plan	150%, of which 30% is deferred into shares	Profit growth	50%
		Strategic targets	33%
		Personal objectives	17%
Long Term Incentive Plan	125% for CEO	Three-year EPS growth	70%
	100% for other Executive Directors	Three-year strategic targets	30%

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

UNAUDITED INFORMATION continued

j) Implementation of Directors' Remuneration Policy in 2016/17 continued

Annual incentive, deferred bonus and LTIP awards continued

The strategic targets for the ABP and LTIP awards are measurable and quantifiable and aligned with the Group's KPIs as set out on page 13.

The EPS growth targets for the forthcoming LTIP award will be 8% growth per annum for threshold vesting and 12% growth per annum for maximum vesting. These targets are considered to be appropriately stretching and incentivising in the context of our business strategy.

The strategic targets for the forthcoming LTIP award will be based on:

- CER growth in revenue from the RabMAb® primary antibody range;
- CER growth in revenue from non-primary antibody products;
- net promoter score (NPS) – Abcam's vision is to be the brand most recommended by life science researchers; and
- market position – relative market position in each of the main markets in which we operate.

The Annual Bonus Plan targets and the strategic targets for the LTIP will not be disclosed in advance as they are deemed by the Committee to be commercially sensitive. The nature of these targets relies upon the use of internal budgets and strategic plans which would be inappropriate to disclose ahead of time. Appropriate retrospective disclosure of targets will be provided when these are no longer considered commercially sensitive.

The Committee introduced a performance cross-underpin to the Annual Bonus Plan in 2015. At the Committee's discretion, vesting may be restricted if any of the three performance elements (financial, strategic or personal) show serious underperformance, or if the Committee determines that there has been underperformance on the part of an Executive Director in his role.

The CFO, Jeff Iliffe, and the COO, Jim Warwick, will each be eligible for a payment in relation to the cash element only of the 2016/17 Annual Bonus Plan following their departure from the Company.

Neither Jeff Iliffe nor Jim Warwick will be entitled to participate in the 2016/17 LTIP award.

Pension

The Company retains its policy of contributing 12% of base salary (prior to any voluntary waivers) into each Executive Director's pension scheme. For further details, please refer to the 'retirement benefits' section on page 40.

Non-Executive Directors

During 2015/16 the Company put in place fee arrangements for all NEDs where a portion of their fees will be delivered as a fixed number of fully paid ordinary shares. There will be no increase in fees paid to NEDs in 2016/17, other than the fee payable to Mara Aspinall. Mara's total remuneration was increased from £40,400 per annum (comprising a fee for her services as a NED of £34,400 per annum and an additional consultancy fee of £6,000 per annum) to a flat fee of £50,000 per annum with effect from 1 July 2016, with no consultancy fee.

k) Remuneration Committee

The Committee advises the Board on overall remuneration policy. It also determines, on behalf of the Board, and with the benefit of advice from external consultants and the SVP, Human Resources, the remuneration of the Executive Directors and proposes a fee for the Chairman of the Board of Directors.

The Committee formulates and applies the policy with consideration to the prevailing economic climate in the major economies in which the Group operates. It also observes the spirit of the Group's core values, including responsible leadership in the external and internal social environment. Consequently, the Committee closely considers the Company's performance in building both shareholder value and a secure future for all stakeholders.

The Committee currently comprises three NEDs, each of whom the Company deems to be independent: Louise Patten (Chairman), Sue Harris and Anthony Martin. Murray Hennessy, the Company's Chairman, will replace Anthony Martin on the Remuneration Committee when Anthony Martin steps down from the Board and its Committees on 31 October 2016. This is permitted by the Code as Murray was independent on his appointment as Chairman. He will leave the meeting when his own remuneration is discussed.

The Company's Chairman, Company Secretary and SVP, Human Resources, attend the Committee meetings by invitation and assist the Committee in its execution of its objectives, except when issues relating to their own compensation are discussed. No Director is involved in deciding his or her own remuneration.

UNAUDITED INFORMATION continued

k) Remuneration Committee continued

While it is the Committee's responsibility to exercise independent judgement, the Committee does request advice from management and professional advisors, so as to be informed given the internal and external environment.

No member of the Committee has any personal financial interest, other than as a shareholder, in the matters to be decided by the Committee. The three independent members of the Committee have no conflicts of interest arising from cross-directorships. Members of the Committee have no day-to-day involvement in the running of the Company. The Committee met five times during the year. Details of attendance can be found in the Corporate Governance Report (see page 29).

External advisors to the Committee

The following table sets out the details of external advisors who provided material assistance to the Committee during the year in its consideration of matters related to Directors' remuneration:

Advisors	Appointment and selection	Other services provided to the Company	Fees for Committee assistance
Deloitte LLP (Deloitte)	Appointed to provide ongoing advice to the Committee on various matters including compliance with Directors' remuneration reporting regulations, shareholder communication and other governance matters.	Advice on risk management	£30,375

Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that advice received from Deloitte during the year was objective and independent.

During the year, the Committee also sought input from the SVP of Human Resources on various subjects, including the remuneration of senior management.

Statement of voting at general meeting

The table below shows the voting outcome at the November 2015 AGM for the approval of the 2014/15 Remuneration Report and the Remuneration Policy as laid out in the 2014/15 Annual Report:

	Votes for		Votes against			
	Number	%	Number	%	Votes total	Votes withheld
Remuneration Policy	140,865,445	91.46%	13,160,891	8.54%	154,026,336	691,369
Remuneration Report	153,465,753	99.64%	560,818	0.36%	154,026,571	691,134

The Committee believes the 91.46% and 99.64% votes, respectively, in favour of the Remuneration Policy and the Remuneration Report show very strong shareholder support for the Group's remuneration arrangements.

Approval

Approved by the Board and signed on its behalf by:

Louise Patten

Louise Patten
Remuneration Committee Chairman

Directors' report

The Directors present their report together with the audited consolidated financial statements, along with the Auditor's Report for the year ended 30 June 2016.

Pages 1 to 52 inclusive (together with sections of the Annual Report incorporated by reference) consist of a Directors' Report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

The following additional disclosures are made in compliance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code 2014 (Code).

Likely future developments

The outlook for the business and likely future developments are outlined in the CEO's review and operational report, Our Markets and Our Strategic Priorities sections of the Strategic Report on pages 7 to 12 and are incorporated in the Directors' Report by cross-reference.

Post-balance sheet events

There have been no important events affecting the Company or the Group since the year end, with the exception of a successful milestone that was achieved as part of the AxioMx acquisition (see note 33 of the financial statements).

Research and development activities

A description of the Group's R&D activities is given in Our Financials on page 22.

Dividends

The Directors recommend a final dividend of 6.556 pence (2014/15: 5.92 pence) per ordinary share to be paid on 2 December 2016 to shareholders on the register on 11 November 2016. The associated ex-dividend date will be 10 November 2016. Together with the interim dividend of 2.354 pence per share paid on 15 April 2016, this brings the total dividend for the financial year ended 30 June 2016 to 8.91 pence per share (2014/15: 8.21 pence), representing an increase of 8.5% over the previous year.

Disabled employees

Abcam is an equal opportunities employer and ensures that applications for employment from people with disabilities and other under-represented groups are given full and fair consideration. Such individuals are given the same training, development and job opportunities as other employees. Every effort is also made to retain and support employees who have a disability during their employment, including flexible working to assist their re-entry into the workplace and making alternative suitable provisions.

Financial instruments

The Group's financial risk management objectives and policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk are given in note 26 to the financial statements.

Information on the Group's risk appetite, principal risks and uncertainties and how they are managed by the Group is included in the Strategic Report on pages 14 to 19.

Control and share structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 24 to the financial statements. The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

Other than specific lock-ins and orderly marketing provisions negotiated with vendors in connection with acquisitions made by the Company, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between the holders of the Company's shares that may result in a restriction on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Details of employee share schemes are set out in note 27 to the financial statements. Shares held by the Abcam Employee Share Benefit Trust abstain from voting.

Agreements affected by change of control

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover.

There are no agreements between the Company and its Directors providing for compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a take-over bid. However, members of the Executive Leadership Team, excluding the Executive Directors, are entitled to an agreed sum equal to six months' basic salary in the event of a dismissal for any reason other than misconduct (including constructive dismissal by reason of a fundamental breach of contract by Abcam or a successor employer) within twelve months following a change of control, provided that the individual enters into a settlement agreement and agrees to certain obligations regarding confidentiality, intellectual property and restrictive covenants. The agreed sum is payable in addition to any pay in lieu of notice, but includes any entitlement to statutory redundancy pay.

Major interest in shares

As at 31 August 2016, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the voting rights as a shareholder of the Company as set out below (excluding Directors' interests, which are set out on page 43).

Fund Manager	Number of ordinary shares held	Percentage of issued share capital
Baillie Gifford & Co Ltd	16,802,650	8.29%
Select Equity Group Inc	14,698,136	7.25%
Wasatch Advisors Inc	12,051,315	5.95%
T. Rowe Price Group	10,809,084	5.33%
OppenheimerFunds Inc	8,970,450	4.43%

Purchase of own shares

At the end of the year, the Directors had authority, under the shareholders resolutions of 5 November 2015, to purchase through the market 20,105,000 of the Company's ordinary shares, provided that:

(i) the amount paid for each share (exclusive of expenses) shall not be more than the higher of: (1) 5% above the average market value for the five business days before the date on which the contract for the purchase is made; and (2) an amount equal to the higher of the price of the last independent trade and the current independent bid as derived from the AIM Appendix to the Daily Official List of the London stock Exchange or less than 0.2 pence per share; and

(ii) the authority herein contained shall expire at the conclusion of the next AGM of the Company or, if earlier, the date 15 months after the date of passing this resolution (provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired).

No shares were purchased under the above authority during the year under review.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements and, brief biographical descriptions of the Directors are set out on pages 26 and 27. The beneficial and non-beneficial interests of the Directors in the Company's ordinary shares of 0.2 pence are disclosed in the Remuneration Report.

Re-election of Directors

Following performance evaluation, the Chairman has determined that each individual continues to demonstrate commitment to his or her role and to display effective performance; he is therefore recommending the re-election of all Directors seeking to remain on the Board. Abcam has elected to comply with Code Provision B.7.1 and all Directors shall retire and stand for re-election at the AGM to be held on 2 November 2016, other than Anthony Martin and Michael Ross who have decided to step down from the Board in advance of the AGM.

Appointment of Directors

Abcam shareholders may by ordinary resolution appoint any person to be a Director. Abcam must have not less than three and no more than twelve Directors holding office at all times. Abcam may by ordinary resolution from time to time vary the minimum and/or maximum number of Directors.

The Directors may appoint a Director to fill a vacancy or as an additional Director to hold office until the next AGM, who shall then be eligible for election. As previously stated, the Directors have resolved that Gavin Wood shall replace Jeff Iliffe as Chief Financial Officer and Executive Director on 12 September 2016.

Articles of Association

Abcam's Articles of Association may be amended only by special resolution at a general meeting of shareholders.

Powers of Directors

Abcam's Articles of Association confer the following powers on Directors:

- to manage the business of the Group;
- to establish any local boards or agencies for managing any of the affairs of the Group;
- to appoint an attorney of the Company;
- to authorise all payments and other negotiable or transferable instruments, and all receipts for moneys paid to the Company;
- to establish any schemes or funds for providing pensions, annuities, sickness or compassionate allowance, life assurance benefits, donations, gratuities or other benefits for employees and to make contributions out of the Company's money to such schemes or funds;
- to support any institutions, associations, clubs, funds or trusts calculated to be for the benefit of employees;
- to sanction the exercise of any power conferred upon the Company by section 247 of the Companies Act 2006;
- to make payments to charities; and
- to restrict borrowings of the Group to an amount not exceeding three times the 'adjusted capital and reserves' as defined within the Articles of Association.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the reporting period and these remain in force at the date of this report.

Directors' and officers' insurance

The Company has purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and for its Directors and Officers; this gives appropriate cover for legal action brought against its Directors.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 28 to 32. The Corporate Governance Report forms part of this Directors' Report.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities and reviewed the Group forecasts and budgets as well as the Group's principal risks and uncertainties as set out on pages 15 to 19.

The Directors are satisfied that the Group has adequate resources to continue to operate for the next twelve months. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Longer-Term Viability Statement

In accordance with the Code, the Directors have assessed the prospects of the Company over a five-year period to 30 June 2021 (see page 15 for more details). This has taken into account the business model, strategic aims, risk appetite and principal risks, along with the Company's current financial position. Based on these assessments, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period under review.

Directors' report continued

Annual General Meeting (AGM)

The AGM will be held at 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK on 2 November 2015 at 10.30am. A presentation will be made at this meeting outlining the recent developments in the business. All voting at the meeting will be conducted by show of hands where every shareholder present in person or by proxy will have one vote, unless a poll is requested by a shareholder for which each shareholder present or by proxy will have one vote for each share of which they are the owner.

The Group will convey the results of the votes on the website after the AGM. Shareholders are invited to submit written questions in advance of the meeting. Questions should be sent to The Company Secretary, Abcam plc, 330 Cambridge Science Park, Milton Road, Cambridge CB4 OFL, UK.

A resolution to re-appoint PricewaterhouseCoopers LLP as independent auditor to the Group will be proposed at the AGM. Details of the other resolutions to be proposed at the meeting are set out in the Circular and Notice of AGM 2016, which will be made available to all shareholders together with a proxy card.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under the applicable law and regulations, the Directors are responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and a Corporate Governance Statement which all comply with the relevant law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the biographies on pages 26 and 27, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Directors' Report on pages 50 to 52 and the Our Financials on pages 21 to 23 and Our Risks sections on pages 21 to 23 and pages 14 to 19 of the Strategic Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- the Company's 2016 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group's position, performance, business model and strategy.

Auditor

Each Director in office at the date the Directors' Report is approved confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditor.

On behalf of the Board

Murray Hennessy
Chairman

Suzanne Smith
Chief Legal Officer and Company Secretary
9 September 2016

Financial statements

ICC/IF image of antibody (ab207014) staining STAT6 in HeLA cells

Independent auditors' report

to the members of Abcam plc

Report on the financial statements

Our opinion

In our opinion:

- Abcam plc's Group financial statements and Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts 2016 (the Annual Report), comprise:

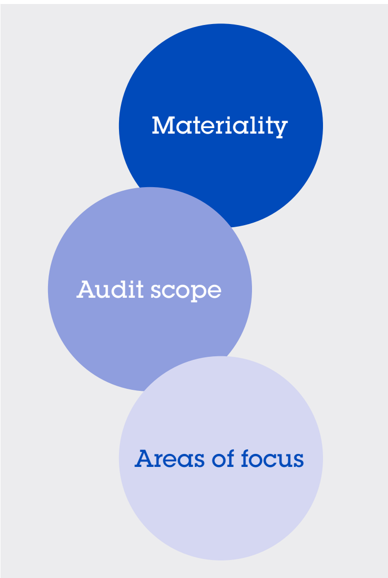
- the consolidated and Company balance sheets as at 30 June 2016;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated and Company cash flow statements for the year then ended;
- the consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview



- Overall Group materiality: £2,270,000 which represents 5% of profit before tax.

- We conducted audits of the complete financial information of Abcam plc and Abcam Inc.
- The Group engagement team performed all audit procedures, with the exception of specified procedures performed over certain account balances and transactions by a component auditor in China.
- Taken together the Group companies over which we performed our audit procedures accounted for 80% of the absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 86% of revenue.

- Acquisition of AxioMx Inc.
- Classification of costs associated with process and system improvements.
- Inventory provisioning.
- Costing of inventory manufactured in house and hybridomas included within property, plant and equipment.
- Valuation of deferred tax assets arising on acquisitions.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Report on the financial statements continued
Our audit approach continued
The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Acquisition of AxioMx Inc. During the year the Group acquired AxioMx Inc. (AxioMx) for consideration of £22,210,000, including £9,579,000 of contingent consideration (see notes 4 and 29 of the financial statements and page 35 of the Audit and Risk Committee Report). The Directors performed a purchase price allocation exercise that involved fair valuing the assets and liabilities acquired, including separately identifiable intangible assets, namely know-how and licence agreements. The Directors estimated the fair value of contingent consideration at both the acquisition date and the year end by assessing the likelihood of the contingent consideration becoming payable under different scenarios. The valuation of the intangible assets and contingent consideration involved significant judgement and the Directors used external valuation experts in their calculation. In order to test the valuation of intangible assets and contingent consideration, we focused on the reasonableness of the assumptions used and judgements taken as part of the valuation exercise.	With the assistance of our internal valuation specialists, we assessed the assumptions used and judgements taken in determining the fair value of the acquired intangibles, being know-how and licence agreements. In particular: In particular, in relation to the fair value of intangible assets: • we recalculated the discount rate used by the external valuation specialists, to assess whether the rate used was appropriate; • we assessed the reasonableness of the cash flows that are forecast to arise from the use of the technology by comparing them to cash flows and growth rates which have been seen historically for similar products launched by the Group; • we assessed specifically the cash flows due under the licensing agreement and challenged management on the completeness of future receipts; and • we assessed the completeness of identified intangible assets, considering whether customer relationships and in-process R&D should be recognised, given that AxioMx had generated small amounts of revenue and had employees working on R&D. We considered the approach to valuing intangible assets to be appropriate, and the assumptions used therein to be reasonable. We assessed the assumptions used and judgements taken in determining the fair value of the contingent consideration. In particular, in relation to the valuation of contingent consideration: • we understood the contractual thresholds triggering the payment of the contingent consideration and assessed the probabilities of such thresholds being met; • we compared the maximum amount payable under the agreement to the undiscounted pay-out assumed by the Directors, in order to assess the reasonableness of the amount recorded; • we challenged the external valuation experts on whether the discount rate used in the calculation was appropriate comparing a rate we had recalculated to that used by the experts; and • we reperformed the Directors' calculation of the weighted average contingent consideration and its resulting fair value. Whilst recognising that valuing such assets and liabilities is inherently judgemental, we determined that the assumptions used and judgements taken by the Directors were reasonable.

Independent auditors' report continued

to the members of Abcam plc

Report on the financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Classification of costs associated with process and system improvements During the year the Group capitalised £5,501,000 of costs in relation to the implementation of its new ERP system. Further amounts in relation to process and system improvements have been expensed to the income statement and, to the extent this is incremental, included in the reconciliation of consolidated adjusted financial measures. The Directors have assessed whether the costs incurred in relation to the implementation of the Group's new ERP system meet the criteria for capitalisation and, if not, whether the costs were incremental to the ongoing costs of the Group. The adjusted profit before tax, which is considered by management to be a key metric and discussed in the review of operations, is directly impacted by the amount of costs capitalised and the amounts included in the reconciliation of the statutory measures to adjusted measures. We focused on whether the costs capitalised met the criteria for capitalisation, and whether, for those costs expensed, they were indeed incremental.	We vouched a sample of the costs capitalised in relation to the new ERP system to invoices from suppliers. We agreed a sample of the internal staff costs capitalised to supporting calculations and time records. In both cases, we considered whether the nature of the costs met the criteria for the costs to be capitalised. For costs expensed to the income statement and included within the reconciliation of adjusted financial measures we considered whether the Directors' policy for the treatment of such costs was reasonable and, on a sample basis, assessed whether the costs included in the reconciliation were in line with the Directors' policy. We found no material exceptions in our testing.
Inventory provisioning The Group had inventory of £19,675,000 as at 30 June 2016. Inventory principally comprises antibodies and reagents that bear a natural risk of obsolescence. Furthermore, owing to the low incremental cost of in-house production of antibodies, the Group often produces surplus inventories that are at risk of expiring before a sale can be achieved (see note 4 and page 35 of the Audit and Risk Committee Report). For new products, the Directors apply a fixed percentage provision against the inventory levels held at the year end, unless they believe that there are specific reasons that no provision is required. For all other products the Directors calculate a specific provision for obsolescence by comparing inventories on hand at year end with forecast sales volumes on a product-by-product basis, providing fully against inventories regarded as surplus. There is therefore judgement in the valuation of inventories, owing to the estimation uncertainty that exists around future sales forecasts.	We understood and assessed the methodology utilised to estimate the Group's inventory provision and checked that the calculation of the provision was mathematically accurate. We found no material exceptions in our testing. For new products against which the Directors had not recorded a provision, we assessed the Directors' rationale as to why no provision was required. We found no material exceptions in our testing. For the other products, we assessed the reasonableness of the Directors' future sales forecasts by considering whether projected levels of sales growth were supported by historic trends or specific factors relevant to the product in question. We considered both the risk of under and overstatement of the inventory provisions by: • performing sensitivity analysis on the forecast future sales; and • ascertaining the change that would be required to materially affect the determined provision. We assessed that the likelihood of such a change was low.

Area of focus	How our audit addressed the area of focus
Costing of inventory manufactured in house and hybridomas included within property, plant and equipment The Group capitalises within property, plant and equipment (PPE) costs arising from the production of hybridoma cells, which are used to generate antibodies that the Group sells. During the year, £1,517,000 was capitalised as part of the total additions to hybridomas and assays and hybridomas under construction of £2,379,000 (see note 14 and page 35 of the Audit and Risk Committee Report). The costs incurred both in producing the hybridomas (held in PPE) and in harvesting the antibodies (held in inventory) include a labour and overhead allocation. This allocation is capitalised into PPE and inventory on the basis of the proportion of batches that pass internal quality tests. No allocation is capitalised for the batches that do not pass the tests, and the labour and overhead element is instead written off in the income statement. The nature of the manufacturing process is such that there are fluctuations in the proportion of batches of hybridomas and antibodies that pass quality tests, meaning that the total labour and overhead absorbed into PPE and inventory varies. The relevant calculations are also performed manually, necessitating a substantive approach to testing that appropriate amounts of labour and overhead cost have been capitalised.	We evaluated whether appropriate costs had been capitalised as inventory and property, plant and equipment, including checking, on a sample basis, the labour costs capitalised. We agreed, on a sample basis, the timesheet records used to allocate labour costs to the underlying system and, similarly, in the case of inventory manufactured in-house for the quality test results, we agreed a sample back to the underlying test results. We found no material exceptions in our testing. We also checked the mathematical accuracy of the calculations (taking into account the proportion of batches passing quality tests) and that only reasonable categories of overheads were absorbed into inventory and capitalised as property, plant and equipment. We found no material exceptions in our testing.
Valuation of deferred tax assets arising on acquisitions During the year the Group completed its assessment of the fair values of assets and liabilities arising on the acquisition of Firefly BioWorks Inc (Firefly) during the previous year. Deferred tax assets of £1,882,000 relating to tax losses available within Firefly at the time of the acquisition have been recognised. Similarly as part of the purchase price allocation exercise for the current year acquisition of AxioMx £1,173,000 of deferred tax assets relating to tax losses have been recognised (see note 29 and page 35 of the Audit and Risk Committee Report). Although both entities have historically been loss making, the intangible assets valued in the purchase price allocation exercise give rise to deferred tax liabilities. Deferred tax assets, including those on carried forward losses, should be recognised to offset deferred tax liabilities if they arise in the same jurisdictions. The Directors used external advisors to assess whether the tax losses in both entities would be available to use going forward despite the change in control. We focused on the reasonableness of the conclusion reached by the tax advisors as to the availability of tax losses going forward.	We obtained the report from the Group's tax advisors who had been engaged to assess the availability of tax losses in both businesses and agree with the view taken as to the availability of the losses. We compared the magnitude of the tax losses considered for use going forward to the latest submitted tax filings, and found them to be reasonable. We assessed whether the recognition of the asset (being less than the level of deferred tax liabilities arising on the intangible assets) was in accordance with the requirements of IAS 12 Income Taxes. We found no material exceptions in our testing.

Independent auditors' report continued

to the members of Abcam plc

Report on the financial statements continued

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 16 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Abcam plc and Abcam Inc reporting units, which were individually financially significant and accounted for 72% of the Group's revenue and 57% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at four further reporting units, two based in China and two in the US (including AxioMx Inc acquired in the year due to the risk in relation to the valuation of intangible assets acquired).

All audit work in respect of the Group financial statements was performed by the Group engagement team, other than certain specified procedures over the Chinese operations, which were performed by a component auditor. The procedures performed over the US-based components were performed by the Group engagement team from the UK.

We held telephone calls with the component auditor in China both as part of planning and also following our review of the results of the work performed by them.

Taken together the Group companies over which we performed our audit procedures accounted for 80% of the absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 86% of revenue.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£2,270,000 (2015: £2,305,000).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. We considered whether the presentation of an adjusted profit before tax metric suggested that the adjusted profit before tax should be considered the key benchmark. However, because the management incentive scheme is based on EPS growth rather than adjusted EPS growth we have decided to continue to use the unadjusted profit before tax. If we had used adjusted profit before tax as the metric the materiality would have been £2,690,000.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £114,000 (2015: £115,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

The Directors have voluntarily complied with Listing Rule 9.8.6(R)(3)(a) of the Financial Conduct Authority and provided a statement in relation to going concern, set out on page 51, required for companies with a premium listing on the London Stock Exchange.

The Directors have requested that we review the statement on going concern as if the Company were a premium listed company. We have nothing to report having performed our review.

The Directors have chosen to voluntarily report how they have applied the UK Corporate Governance Code (the Code) as if the Company were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and the Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Report on the financial statements continued

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting	
As a result of the Directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• Information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and the Company acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
• The statement given by the Directors on page 52, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
• The section of the Annual Report on pages 33 and 34, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group	
As a result of the Directors' voluntary reporting on how they have applied the Code, under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• The Directors' confirmation on page 52 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• The Directors' explanation on page 51 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

The Directors have voluntarily provided a statement that they have carried out a robust assessment of the principal risks facing the Group and a statement in relation to the longer-term viability of the Group and have requested that we review these statements as if the Company were a premium listed company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Independent auditors' report continued

to the members of Abcam plc

Report on the financial statements continued

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Opinion on additional disclosures

Directors' Remuneration Report

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The Directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matter on which we have agreed to report by exception

Corporate governance statement

The Company voluntarily prepares a corporate governance statement in accordance with the provisions of the UK Corporate Governance Code. The Directors have requested that we review the parts of the Corporate Governance Statement relating to ten further provisions of the UK Corporate Governance Code specified for auditor review by the Listing Rules of the Financial Conduct Authority as if the Company were a premium listed company. We have nothing to report having performed our review.

Responsibilities for the financial statement and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 52, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

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	**18.61**	18.69
Diluted earnings per share (pence)	11	**18.53**	18.57

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

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Balance sheets

As at 30 June 2016

		Consolidated		Company	
	Notes	**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 financial statements on pages 61 to 98 of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 9 September 2016.

They were signed on its behalf by:

Jeff Iliffe
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)
	—	—	—	—	—	865	—	—	865
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
	—	—	—	—	—	(8,824)	—	—	(8,824)
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 30 June 2016 £000	Consolidated 30 June 2015 £000	Company 30 June 2016 £000	Company 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 30 June 2016 £000	Consolidated 30 June 2015 £000	Company 30 June 2016 £000	Company 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 financial statements

For the year ended 30 June 2016

1. Presentation of the financial statements

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 annual financial statements of Abcam plc are 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 financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The Group financial statements are 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 financial statements 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.

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 consolidated financial statements.

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 I*nvestment in Associates and Joint Ventures* (Amendment)

Improvements to IFRSs (September 2014)

2. Changes in accounting policy and disclosures continued

New standards, amendments and interpretations not yet adopted

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

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

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 these financial statements and the Directors do not expect that their adoption in future periods will have a material impact on the financial statements 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 financial statements incorporate the financial statements 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 financial statements 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.

Notes to the financial statements continued

For the year ended 30 June 2016

3. Significant accounting policies continued

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 financial statements, 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 financial statements.

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

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

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

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

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

3. Significant accounting policies continued

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 financial statements 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
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

Notes to the financial statements continued

For the year ended 30 June 2016

3. Significant accounting policies continued

Intangible assets continued

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.

3. Significant accounting policies continued

Derivative financial instruments continued

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

Hedge accounting

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

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

Share-based payments

The Group has applied the requirements of IFRS 2 S*hare-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.

Notes to the financial statements continued

For the year ended 30 June 2016

3. Significant accounting policies continued

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 financial statements 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 financial statements. 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 financial statements 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.

4. Critical accounting judgements and key sources of estimation uncertainty continued

b. Key sources of estimation uncertainty continued

Goodwill and other intangible asset impairment continued

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 affect 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.

Notes to the financial statements continued

For the year ended 30 June 2016

5. Operating segments continued

Geographical information continued

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

8. Employees and remuneration continued

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).

The remuneration of the Directors, and related share option grants, are set out in the Directors' Remuneration Report on pages 38 to 45.

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 these financial statements.

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.

Notes to the financial statements continued

For the year ended 30 June 2016

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.

12. Goodwill continued

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 licence fees £000	Distribution rights £000	Software £000	Contract based £000	Assets under construction £000	Customer relationships £000	Patents, technology and know-how £000	Trade names £000	Total £000
Cost									
At 1 July 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**

Notes to the financial statements continued

For the year ended 30 June 2016

13. Intangible assets continued

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 and fittings £000	Hybridomas and assays £000	Hybridomas under construction £000	Motor vehicles £000	Total £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**

Notes to the financial statements continued

For the year ended 30 June 2016

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)

16. Deferred tax assets and liabilities continued

Group continued

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.

Notes to the financial statements continued

For the year ended 30 June 2016

18. Financial assets continued

Trade receivables continued

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 £000	30 June 2015 £000	**30 June 2016 £000**	30 June 2015 £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:

					Book value	
	Borrower	Principal $000	Repayment date	Interest rate	**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	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		
	Asset £000	Liability £000	Asset £000	Liability £000	Total £000
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	6	(1,856)	—	—	(1,850)
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	5	(7,411)	—	(1,231)	(8,637)
	11	(9,267)	—	(1,231)	(10,487)

Group and Company: 30 June 2015

	Current		Non-current		
	Asset £000	Liability £000	Asset £000	Liability £000	Total £000
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	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).

Notes to the financial statements continued

For the year ended 30 June 2016

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 these financial statements.

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)

Notes to the financial statements continued

For the year ended 30 June 2016

26. Financial instruments continued

Fair value measurements recognised in the balance sheet continued

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.

26. Financial instruments continued

Risk management in relation to financial instruments continued

Credit risk continued

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.

Notes to the financial statements continued

For the year ended 30 June 2016

26. Financial instruments continued

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).

26. Financial instruments continued

Currency risk management continued

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.

Notes to the financial statements continued

For the year ended 30 June 2016

26. Financial instruments continued

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.

27. Share-based payments continued

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.

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

		2016			2015		
Vesting date	Expiry date	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000
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

Notes to the financial statements continued

For the year ended 30 June 2016

27. Share-based payments continued

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.

		2016			2015		
Vesting date	Expiry date	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000	Number of options outstanding	Exercise price pence	Cash receivable on exercise £000
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%

27. Share-based payments continued

Option fair values continued

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	6 November 2015	6 November 2015	6 November 2015	10 November 2015	25 January 2016	21 March 2016
Expected volatility	24%	24%	24%	25%	29%	29%	24%	25%	25%
Expected life (years)	3	3	3	4	5	6	2	3	3
Expected dividend yield	1.57%	1.34%	1.37%	1.37%	1.37%	1.37%	1.43%	1.28%	1.41%
Risk-free rate	0.96%	0.95%	0.98%	1.21%	1.42%	1.59%	0.49%	0.67%	0.53%

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.

Notes to the financial statements continued

For the year ended 30 June 2016

27. Share-based payments continued

Option fair values continued

Annual Bonus Plan – deferred share award continued

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.

Further details are included in the Remuneration Committee Report on page 41.

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.

29. Business combinations continued

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

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

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

Acquisition-related expenses totalling £0.5m are included within administrative expenses in the consolidated income statement for the 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.

Notes to the financial statements continued

For the year ended 30 June 2016

29. Business combinations continued

Details of prior year acquisition continued

Firefly BioWorks Inc – restated continued

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 Provisional	Measurement period adjustment £000	Fair value £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.

Group and Company	**30 June 2016 £000**	30 June 2015 £000
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

30. Related party transactions continued

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 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)
	76,667	63,417

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).

Notes to the financial statements continued

For the year ended 30 June 2016

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 £000	%	Year ended 30 June 2015 £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/margin[1]	**53,638**	**31.2**	49,204	34.2

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

	Year ended 30 June 2016 £000	%	Year ended 30 June 2015 £000	%
Operating profit	**46,318**		45,727	
Depreciation and amortisation	**11,355**		8,038	
EBITDA/margin[1]	**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/margin[2]	**59,956**	**34.9**	54,124	37.6

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

2 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).

Technical glossary

Antibody	A protein made by the immune system that binds specifically to an antigen. When an antibody detects this antigen in the body, it will contribute to an immune response to rid the body of the antigen.
Amino acids	The basic building blocks of proteins and peptides.
Antigen	A molecule that is recognised by the immune system and which can be specifically bound by an antibody.
Assay	A laboratory test for assessing the presence, amount or functional activity of a chemical or biological molecule.
Biological pathway	A series of molecular interactions that leads to a change in a cell in response to a stimulus. For example, biological pathways can trigger the assembly of new molecules, turn genes on and off, or spur a cell to move.
Biomarker	A measurable indicator of a biological state or condition. For example, increased amounts of a particular protein in a blood sample may indicate the presence of a particular disease.
Conjugated antibody	Antibodies that are chemically bound to molecules that enable detection of the antibody. For example, an antibody might be bound to a fluorescent dye.
ELISA	Assay that uses antibodies to detect and quantify proteins and peptides in a biological sample. Acronym for enzyme-linked immunosorbent assay.
ERP	Acronym for enterprise resource planning. It refers to business process management software that allows an organisation to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources.
Gene	A section of DNA that acts as the blueprint for making a particular protein. Every human being (except identical twins) has a unique set of genes, half of which came from their mother and the other half from their father.
Immunoassay	A test that uses the binding of antibodies to antigens to detect and quantify a biological molecule in a sample.
In vitro	Describes studies that are performed with microorganisms, cells or biological molecules outside their normal biological context. For example, an *in vitro* experiment might involve extracting a blood sample from a patient, and performing an assay on that sample in a test tube.
In vivo	Describes a biological process that takes place in a living cell or organism, including animals and plants.
Kits and assays	Multi-component products comprising antibodies and other reagents that can be used to detect a wide range of biological molecules.
Knockout cell lines	A cell line that has had a particular gene removed (or 'knocked out'). The protein that the knocked-out gene encodes for is therefore not produced.
Lysate	The fluid produced by lysis of cells and tissues. Lysates are used as controls in biological experiments to confirm the absence or presence of proteins of interest.
Lysis	The disruption of cells by mechanical, chemical or enzymatic means.
Matched antibody pairs	A pair of antibodies that binds to an individual protein at different sites, meaning that both antibodies of the pair can bind the protein at the same time. Matched antibody pairs are used in assays such as ELISA.
microRNA or miRNA	Small RNAs that are involved in regulating gene expression.

Technical glossary continued

Monoclonal antibodies	Identical antibodies derived from a group of identical cloned cells. Monoclonal antibodies recognise only one kind of antigen, i.e. they bind to the same site on a protein.
Multiplex immunoassays	Immunoassays that can detect multiple proteins at once within a single sample. They allow scientists to increase the efficiency and scope of their experiments.
Net Promoter Score or NPS	A management tool that can be used to gauge the loyalty of a company's customer relationships. It serves as an alternative to traditional customer satisfaction research and can be correlated with revenue growth.
Peptides	Short chains of amino acids.
PD-L1	Acronym for programmed death-ligand 1. It is a protein that plays a major role in suppressing the immune system and is an important target in difficult to treat cancers.
Polyclonal antibodies	Antibodies that target the same antigen, but are derived from different cell lineages. Polyclonal antibodies bind to different sites on the antigen.
Proteins	Large, complex molecules made up of amino acids. Proteins are required for the structure, function and regulation of the body's tissues and organs.
RabMAb®	Abcam's patented technology for the generation of high quality rabbit monoclonal antibodies.
Rabbit/recombinant monoclonal antibodies	Antibodies made by cloning DNA sequences from cell lines that produce rabbit monoclonal antibodies. Cloned recombinant antibodies are identical, and are therefore not susceptible to lot-to-lot variation.
Reagent	A product used in an experiment to detect or measure biological processes.
RNA	Acronym for ribonucleic acid. It is a polymeric molecule made up of one or more nucleotides. It is implicated in various biological roles in the coding, decoding, regulation and expression of genes.
Specificity	This refers to the ability of an antibody to bind only the desired antigen.
SimpleStep ELISA® kits	Kits that deliver fast results in just 90 minutes by reducing antibody and sample additions to a single step.

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Shareholder information

Shareholder enquiries

Any shareholder with enquiries should, in the first instance, contact our registrar, Capita Asset Services, using the address provided in the Corporate Directory.

Share price information

London Stock Exchange Alternative Investment Market (AIM) symbol: ABC.

Information on the Company's share price is available on the Abcam investor relations website at www.abcamplc.com.

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Financial calendar

Financial year end	30 June 2016
Full year results announced	12 September 2016
Annual General Meeting	2 November 2016
Ex-dividend date for final dividend	10 November 2016
Record date for final dividend	11 November 2016
Final dividend payment	2 December 2016

The Abcam Group's commitment to environmental issues is reflected in the production of this Annual Report which has been printed on Cocoon 100, an FSC® certified and PCF (Process Chlorine Free) paper made from 100% post-consumer waste paper fibres.

The report is printed in the UK by Pureprint Group using their environmental printing technology and vegetable based inks. Pureprint Group is a CarbonNeutral® Company with the unavoidable carbon emissions generated during the manufacture and delivery of this document being reduced to net zero through a verified carbon offsetting project.

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