abcam

Sustaining long-term growth

Abcam plc Annual Report and Accounts 2017

Investing for a sustainable future

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.

Vision

To be the most influential life sciences company for researchers worldwide

Mission

To serve life scientists to achieve their mission faster

Highlights of our year

Financial highlights

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

Operational highlights

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

Strategic report

Corporate governance

Financial statements

1 Constant currency is calculated by applying prior period's actual exchange rates to this period's results.

2 Unaudited figures in our pre-close update stated 10.2% revenue growth. As a result of the completion of the year-end financial review and audit, actual total revenue growth in the year is 9.9%.

3 This refers to goods-in processing costs, which are costs incurred in receiving, resizing and storing brought-in product. These costs are only incurred in relation to selling product and management has concluded that it is more appropriate to include the costs in gross margin as a cost of sales to give a more accurate representation of the true cost of product sales. These costs had previously been shown as an operating expense.

4 Excluding acquisition and integration costs, the change in fair value of contingent consideration, the initial incremental costs associated with the systems and process improvements and R&D tax credits relating to prior years.

5 Excluding acquisition and integration costs, the change in fair value of contingent consideration, unwinding of discount factor on contingent consideration and fees, amortisation of acquisition-related intangible assets, the initial incremental costs associated with the systems and process improvements and R&D tax credits relating to prior years.

6 Excluding acquisition and integration costs, the initial incremental costs of systems and process improvements, unwinding of discount factor on contingent consideration and fees, the change in fair value of contingent consideration, amortisation of acquisition-related intangible assets, R&D tax credits relating to prior years and the tax effect of adjusting items.

Abcam is a producer and marketer of high quality protein research tools.

These tools enable life scientists to analyse components of living cells at the molecular level which is essential in a wide range of fields including drug discovery, diagnostics, and basic research. We are headquartered in Cambridge, UK with eleven additional locations across Asia, the UK, and the US.

Products

We manufacture our own products in our specialist facilities worldwide, as well as sourcing from over 400 partners. This way we are able to offer scientists the newest and best research tools available globally regardless of source.

Customers

Our customers are research scientists who need high performance products with detailed technical specifications. Our information-rich products, together with expert customer support and fast delivery, make us the researcher's choice.

People

Our team is our biggest asset. We have over 1,000 employees and we are proud to have over 140 in-house PhDs. Nurturing employee excellence is key to our success and we continue to invest in the learning and development of our staff.

Leadership

Good corporate governance is fundamental to the success of our business. The Board and its Committees have a key role in our governance framework by providing external and independent support and challenge, understanding the views of shareholders and stakeholders, and ensuring that a culture of good governance is promoted across the business.

Our main product types

Antibodies

The human body makes proteins known as antibodies when it becomes infected by a foreign body, like bacteria. Each antibody binds to a very specific part of the surface of the foreign body that we call the antigen – different antibodies bind to different antigens. We can artificially generate antibodies to target antigens on molecules we are interested in studying to understand where they are located within a cell or tissue sample.

Research-grade antibodies

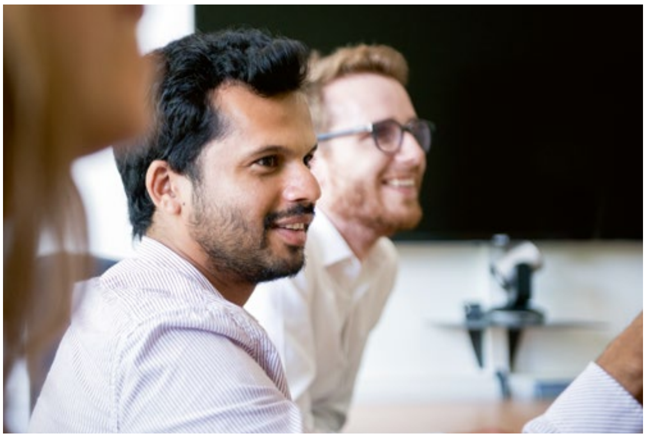
Our main focus is providing antibodies intended for basic research – that is, those typically used in academic pharma and biotech laboratories to investigate fundamental scientific questions.

In vitro diagnostic (IVD) antibodies

IVDs are tools typically used in a clinical setting, such as a hospital or medical institute lab, to help diagnose a particular disease or condition. These antibody-based tools are used on patient samples (such as blood, urine, or tissue) and help clinicians to diagnose or assess the progression of a disease. IVDs can also provide information on the type of treatment to use and on disease prognosis.

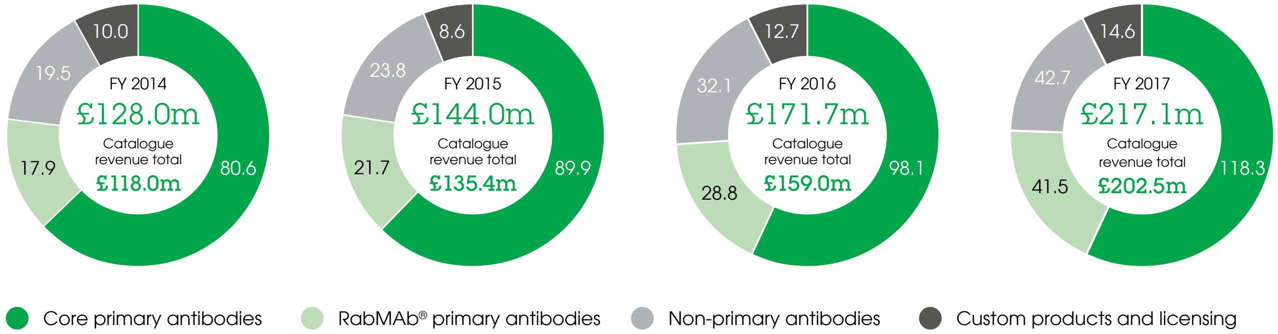
Kits

Kits contain everything a researcher needs to run an experiment: the reagents and protocol are provided and the contents have been optimised for maximum performance. A researcher provides the sample of interest and the kit delivers everything else.



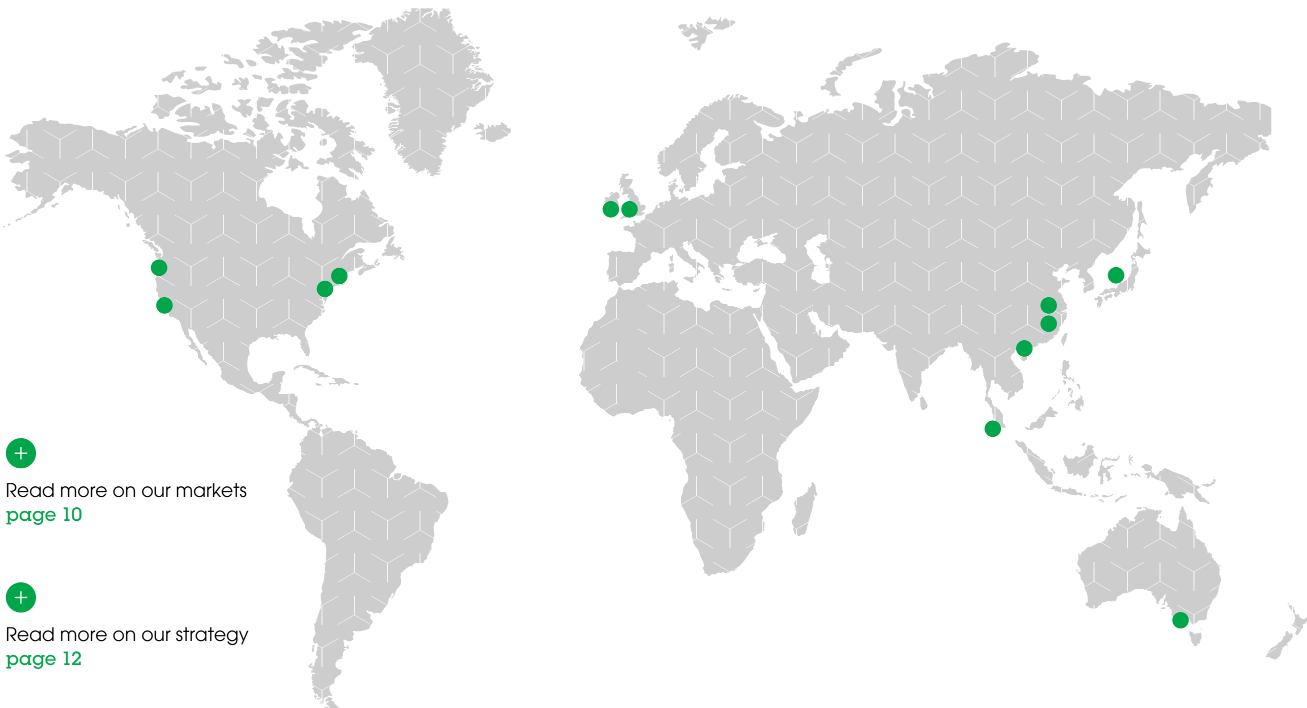
Product revenue

Revenues have grown significantly since we set out our new growth strategy in 2014:



Our global presence

Headquartered in Cambridge, UK, we employ over 1,000 people across twelve locations, servicing researchers in more than 130 countries.



Read more on our markets
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1,000+ Abcam employees worldwide

12 Locations globally

140+ PhDs within the Company

130+ Countries delivered to worldwide

Chairman's introduction

Murray Hennessy
Chairman

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

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

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

Strengthened the foundations for growth

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

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

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

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

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

Our team

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

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

Governance

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

Dividend

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

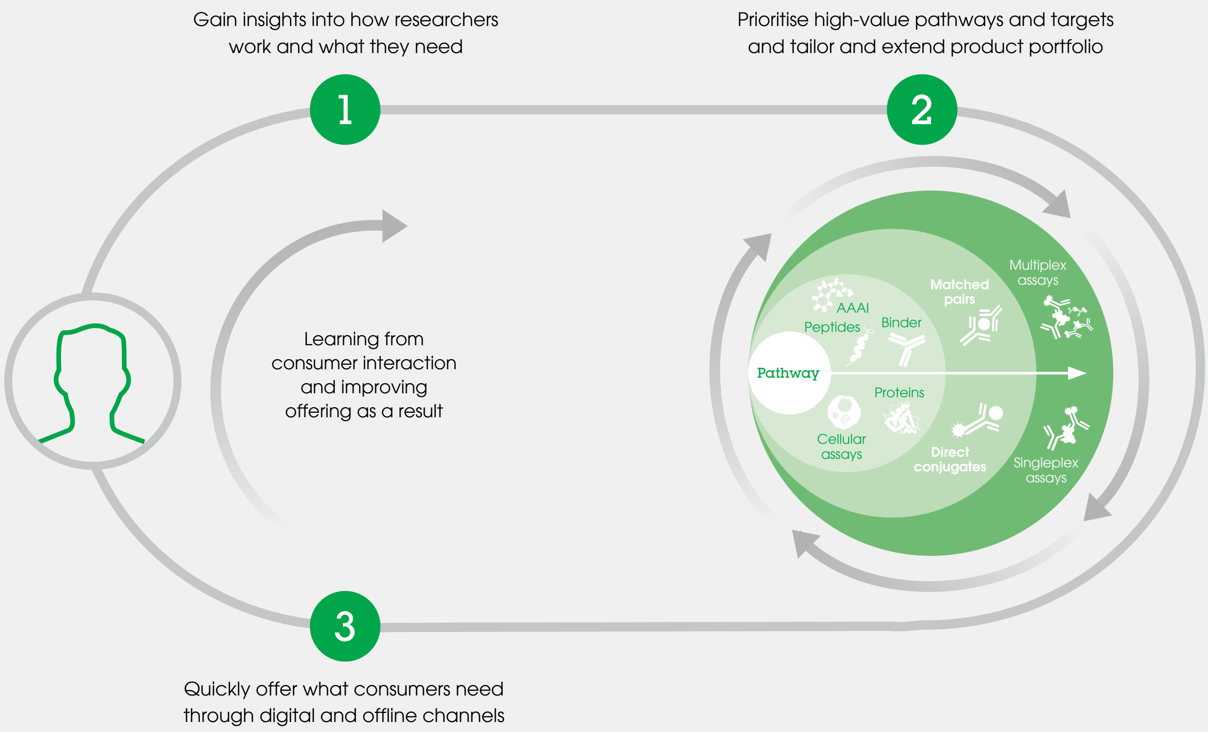
Outlook

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

Murray Hennessy
Chairman
8 September 2017

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 112,000 diverse products and, including our revenues from custom products and licensing, more than 40% 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.

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

Consumers

Our comprehensive consumer insights, personalised support, data and continually growing range of resources are helping to accelerate scientific discovery.

Investors

Operating transparently and responsibly, we regularly engage with our investors. We manage our business to sustain attractive economics.

Employees

Essential to our success is listening to and recognising our employees' achievements. Our people remain highly motivated by the opportunities we provide to gain additional skills and experience and to help advance their careers at Abcam.

Suppliers and distributors

We work closely with our suppliers and distributors; we are transparent about how we work in terms of ethics, quality, the environment and general business principles, and we have the same expectations of them.

Local communities

We support a range of local initiatives and work with organisations to share best practice and knowledge in our sector. We support young people with employment opportunities, internships and work experience where possible.

Chief Executive Officer's review

Alan Hirzel
Chief Executive Officer

> "It has been a year of progress for Abcam as we have once again delivered on our financial goals. We have delivered 10% constant currency revenue growth, meeting our full year guidance, while continuing to invest in the long-term future of the Company.

A year of progress

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

Our strategy leads to long-term sustainable growth

FY 2017 was another year of good progress as we continue to build on the growth strategy that we announced in 2014. Our customer feedback has never been stronger and we continue to make market share gains worldwide. To prepare for further growth, we have made substantial investments in our systems and processes, our facilities and our people, and we continue to work hard to ensure these investments support our long-term growth aspirations. Underpinning our transformation is the solid financial foundation we have established. Overall, we believe the changes we are creating will enable us to double the scale of Abcam from 2016 to 2023 in terms of the life science research influence and commercial scale of the Group.

Chief Executive Officer's review continued

Our strategy leads to long-term sustainable growth continued

We have delivered strong revenue growth, with all geographic areas and main product categories performing at levels above underlying market growth rates. In a year with political uncertainty in large markets such as the US and Europe, our business has remained focused on serving customers well. Our history and strengths in digital marketing continue to support our business well and we are making increasing use of data to enhance our product selection, website and marketing in order to attract new customers and satisfy more needs of our existing customers.

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

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

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

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

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

* Includes royalty income, custom products and licensing revenue.

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

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

Underlying markets growing

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

Our five strategic priorities

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

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

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

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

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

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

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

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

Updated strategic KPIs

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

Delivering results from our investments

Business systems

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

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

UK facilities

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

Leadership Team

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

Outlook

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

Alan Hirzel
Chief Executive Officer
8 September 2017

Key markets and trends:

The global life science research tools market is estimated to be $2.7bn, of which the primary antibody research sector is estimated at $906m.

Academic funding is variable across countries, but good increases have been seen this year in many regions, with EU and US funding increasing by 6% compared with 2016. The pharma and biotechnology industries continue to be steady end market, supported by continuing R&D investments in new medicines and *in vitro* diagnostics (IVDs). In particular, IVD market forecasts estimate the market to grow to $80bn by 2022 and we are looking to further develop our custom and licensing capabilities to address this market.

Key growth drivers

- Increased funding for life science research, particularly to drive healthcare research into chronic diseases associated with an ageing population and the ongoing threat from communicable diseases.
- Improved economic activity in certain regions, particularly in the Middle East and Asia.
- Technological and scientific advances such as development of advanced antibody manufacturing technologies and the emergence of revolutionary genome editing technologies such as CRISPR that allow us to speed up antibody production and improve validation.
- Demand for more accurate and reliable antibodies and research tools by the research community to address the reproducibility crisis facing scientific research.
- Substantial funding for collaborations between private and public organisations which improves funding in certain research areas, e.g. NIH's BRAIN Initiative, Cancer Moonshot and the Precision Medicine Initiatives in the US and China.

+
Read more on our KPIs
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The Americas

US academic funding has seen a $2bn increase in NIH funding this year, with the 21st Century Cures Act providing additional funding on top of the NIH budget. Cancer and Alzheimer's disease are receiving the biggest increases in funding, with a cancer-focused precision medicine initiative being launched this year that may translate to increased opportunities in the IVD space.

There is uncertainty regarding the science budget beyond September with the threat that the Trump administration will try to cut budgets by 20%; however, Abcam's business model means that it is well placed to mitigate any budget cuts. Historically, NIH funding changes have had limited impact on Abcam's growth rate.

Japan

Government investment into research remains flat for the fiscal year starting April 2017. Japan's declining population, meaning fewer researchers, alongside the lack of increased budget for science and technology has meant that Japan's global share of scientific publications is decreasing. However, research grants are increasing at the top academic institutions, with the top five national universities receiving almost half of the JPY100bn – approximately $900m – funding.

EMEA

EU academic research funding increased strongly this year. The total European Research Council (ERC) budget increased to €1.8bn, an 8% increase from 2016, with approximately €600m available for new life science projects in 2017. Currently Germany, UK and France receive the most EU funding, winning 17%, 16% and 13% of EU life science grants, respectively. With the continuation of the Horizon 2020 programme, funding in the European Union is set to continue to grow until 2020.

The impending exit of the UK from the EU has created uncertainty around science funding in the UK, which has the potential to slow demand. However, the UK government has guaranteed to replace funding for existing EU research projects, and we do not currently believe that Brexit will lead to a material adverse impact on results.

Asia Pacific

The Asia Pacific region has seen strong economic growth overall, and many countries in the region have increased investment in scientific funding. In South Korea, scientific research funding remains very high and we are benefiting from strong investment by conglomerates, private institutes and academia. Singapore has increased spending in R&D in recent years to advance academic research into a commercial setting, and we are growing well in this country as a result of our customer acquisition strategy.

China

Academic research in China continues to be well funded, and a substantial precision medicine initiative is beginning in China that it is estimated will provide $9.2bn primarily for cancer research, potentially presenting opportunities in the IVD space. China's pharmaceutical industry is also growing strongly, having increased 10.4% from 2015 to 2016.

Our strategic priorities

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

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

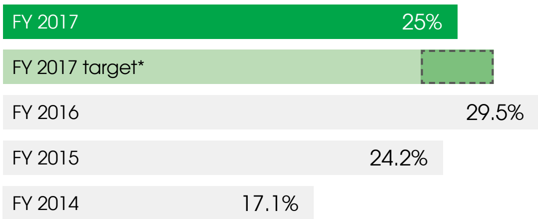
Our strategic priorities	What we promised for FY 2017	What we achieved	Our new strategic priorities
3 **Scale organisation capabilities** Our aim is to attract and retain the best people, empower them to succeed and build the capabilities necessary to deliver our strategy	Finalise Executive Leadership Team hires and integrate and align teams Implement the Oracle Cloud modules successfully and in accordance with the implementation plan Progress activities to consolidate our Cambridge, UK, facilities	Hiring of Executive Leadership Team completed with the appointment of new CFO as well as new hires of Senior Vice President of Technology and Senior Vice President of Global Manufacturing & Supply Chain Re-organised the business to create Research & Development and Global Manufacturing & Supply Chain teams Launched several of the Oracle modules and made good progress towards full ERP implementation Commenced construction of new HQ on the Cambridge Biomedical Campus and on track for build completion at the end of 2018	**Invest in operating capabilities to double our scale** Further improve organisational engagement Successfully implement Oracle Cloud and complete alignment of organisation Complete implementation of Supply Chain and Manufacturing function
4 **Sustain attractive economics** Our aim is to ensure operational efficiency and cost effectiveness to deliver sustainable, profitable growth	Optimise and further improve custom service role and economics Consolidate procurement and identify cost savings Scale-up of AxioMx production	Repositioned our R&D and manufacturing resources to align with our multi-year strategy, and strengthened focus and accountability on manufacturing, new product development and long-term R&D Global procurement function and processes developed and strengthened, including the publication of our Supplier Code of Conduct AxioMx fit-out completed on time and to budget, doubling capacity for *in vitro* recombinant binder discovery and validation. Successfully completed a number of milestones relating to AxioMx's intellectual property and technology development and added new products to the catalogue	**Sustain attractive economics** Deliver major capital projects with planned costs and time Realise productivity gains Move to direct distribution in at least one additional market
5 **Selectively pursue partnerships and acquisitions** Our aim is to supplement the other components of our strategy by making acquisitions of and working with partners that add to our competitive advantage in the life science market	Continue to actively seek out and evaluate new partnerships, acquisitions, collaborations and investment opportunities that support our strategy and leverage our competitive advantage	Entered into a number of new collaborations and continued to explore acquisition and collaboration opportunities	**Supplement organic growth through acquisitions and partnerships** Continue to strengthen relationships for future deals

Our KPIs

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

RabMAb® primary antibodies CER revenue growth

25%



Strategic alignment:

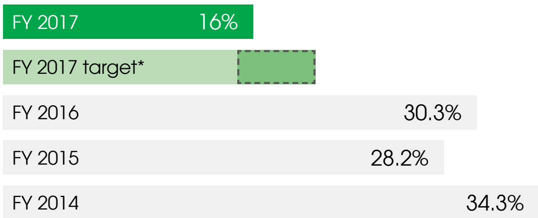
1 2 4 5

* 18%–22% revised in March 2017 to 23%–27%.

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

Non-primary antibody products CER revenue growth

16%



Strategic alignment:

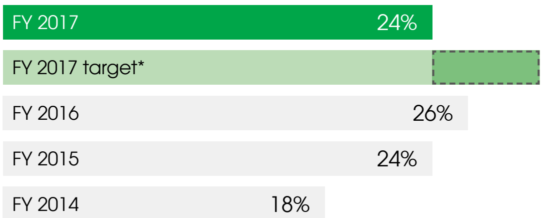
2 5

* 20%–25% revised in March 2017 to 15%–20%.

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

Brand Net promoter score (NPS)

24%



Strategic alignment:

1 2

* 24%–30%.

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

Market position

#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 other categories.

Our 2018 KPIs

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

Revised KPIs for FY 2018 are listed below:

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

Abcam's risk management strategy is to identify, assess and effectively mitigate any existing or emerging 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

Our risk management framework provides the structure within which principal risks affecting our business are managed, and sets 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, performed the latest full assessment in June 2017, reviewing the progress of agreed risk mitigation strategies and any changes to the materiality of key risks, to ensure that the overall risk profile of the Group is appropriate to its strategy and risk appetite.

The principal risks form the backbone of the risk register that is maintained by the Group Executive Leadership Team. The Audit and Risk Committee reviews and approves the adequacy and effectiveness of risk management and internal controls, including the risk register, and reviews changes in risks and mitigations regularly with formal review by the full Board twice a year.

Management is responsible for the initial identification and evaluation of risks and the implementation of policies and procedures intended to reduce risk. It implements mitigating actions in relation to significant risks, embeds risk management in the internal controls system and cultivates the tone of an open and receptive approach to addressing business risk across the Group. Risk policies are regularly reviewed with regard to current market conditions and the Group's activities. A number of compliance initiatives have been rolled out over the course of the year, including our new employee code of conduct called 'How we do things at Abcam'.

Subsidiary companies and Group functions, supported by the internal audit function, 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, review changes in the business that may give rise to new risks or risk areas, and to ensure that significant risks are escalated to the risk register.

As a result of the above, the Board believes it has taken all reasonable steps to satisfy itself that the risk management process is effective and fit for purpose.

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 the entrepreneurial and collaborative spirit that 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, it is committed to maintaining high ethical standards and complying with the applicable laws and regulations of the countries in which it operates. Furthermore, the Group has no appetite for significant reputational risk or for not providing appropriate facilities and tools for our staff to operate effectively.

During the year, the Board has reviewed and approved risk appetite both overall and in relation to each principal risk together with the mitigating actions. The updated risk appetite statements have been embedded in the risk register and the risk policy.

Principal risks

A summary of the principal risks, their linkage to our strategy and an explanation of how the Group mitigates each risk is set out in the table on pages 16 to 19. Whilst the Group is exposed to some risks wider than those listed, the Board determined that the risks previously reported in the 2016 Annual Report were still the most material for the Group. In reaching this conclusion the Board discussed the UK Corporate Governance Code 2016 (Code) requirements to give due regard to risks to the Group's strategy. Although Brexit and the result of the last American presidential election have introduced more uncertainty into these business environments, the macroeconomic risks were considered to be covered within the breadth of the existing principal risks. At this point, apart from the effect of the devaluation of Sterling, there are no immediate, material effects of Brexit on Abcam's risk profile.

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 historical and expected results.

Further additional information on the Group's financial risk management strategy can be found in note 24 to the financial statements.

Our risks continued

Longer-term viability statement

The Code requires the Board to assess the future prospects of the Group over a period longer than the twelve months required by going concern provisions and to issue a 'viability statement'. Last year the Board selected a five-year assessment period for the viability statement as this aligns with our innovation pipeline and strategic planning window, and more than covers the period with large cash outflows on live major capital projects. On review, the Board determined that this is still the most appropriate time period given our business model and strategy.

The process adopted to assess viability this year followed that undertaken in 2016 and involved collaborative input from a range of business functions to model a series of theoretical 'stress test' scenarios linked to the Group's principal risks. These scenarios included both significant adverse financial outcomes and operational failures. Consideration was given to the impact of mitigations as well as their interdependencies.

The Audit and Risk Committee reviewed the process before the viability evaluation was provided to the Board to assist in its assessment.

The Directors have assessed the Group's prospects and resilience 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. The Group is operationally and financially strong and has a track record of consistently generating profits and cash, and this 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 it in an efficient and timely manner would disrupt existing operations	• Detailed integration plan and dedicated integration teams in place prior to acquisition • Regular communication on progress highlighting variations and remedial action taken • Our ERP system is expected to enhance our ability to integrate acquisitions	• No new acquisitions in the year • Attained technical milestones envisaged in AxioMx acquisition		4 5

Increased competition: specifically pinpointed to disruptive developments

Principal risk and why it is relevant	Key mitigation	Activity during the year	Change	Alignment to strategy
The market remains fragmented and competitive. Focus is mainly on new technologies, channels and workarounds with opportunities 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 and collaborators • 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 customer needs • Hiring and developing the right talented people	• Continuous commitment to product differentiation through innovation and product quality improvements • AxioMx gives potential for rapid *in vitro* antibody development across a wider set of targets • Further development of FirePlex® technology • 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 could bring added value to Abcam Abcam attempts to acquire too many businesses in a period, 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 would have prevented 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 advisors and owners/management of businesses to ensure Abcam achieves sufficient visibility of businesses/potential transactions across the market • Potential targets prioritised to ensure sufficient time and care spent on diligence • Rigorous due diligence process conducted using internal and external experts to ensure Abcam fully evaluates the costs and benefits expected to accrue before any business purchase • Business case for acquisition articulated clearly and key assumptions (financial, technical and operational) identified and stress-tested to ensure sufficient contingency in the acquisition process	• Specialist reviews of technology and business 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 trust is adversely affected reducing demand for Abcam's products 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 Net Promoter Score regularly measured and Life Sciences Survey monitored • Feedback from other consumer interactions (including surveys) is monitored and appropriately reported internally and addressed • Consumer complaints and Abcam's responses are monitored at a senior level to ensure appropriate action taken • External communications are reviewed at an appropriately senior level • Codes of conduct in place for employees, suppliers and distributors	• Continuation of the initiative to use the quality of products in the catalogue as a differentiator • Formalised quality management system covering process documentation, competency and training • New code of conduct for employees incorporating all relevant anti-corruption legislation issued and training provided globally in local languages • New codes of conduct for suppliers and distributors • More rigorous ongoing due diligence process for key suppliers • Online training on bribery and corruption developed and delivered plus refreshed communication routes for whistleblowing. Additional in-person briefings in Asian facilities		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 customers 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	• More instances of high profile global cyber attacks • Website security penetration tested by a third party • Cyber security audit by a third party • Regular public website failover drills • Additional improved security measures identified and implementation started		1 2 3 4

Our risks continued

Table of principal risks continued

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. Back-up hybridomas are stored in more than one location • Business interruption insurance • Circa 61% of catalogue revenues come from OEM suppliers • Strict quarantine procedures for cell lines with tested procedures for responding to mycoplasma infection • Cryogenic storage and fridges are covered by alarms	• Infrastructure improvements in Branford and Hangzhou to enhance security of supply • Further progress in the initiative to better align inventory holdings to sales patterns		1 2 3 4

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 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 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	• Extensive investment in IT 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 • Investment in global premises to ensure they are fit to support current operations and medium-term growth plans • Open employee communication including employee NPS monitoring and improvement • Operation of share ownership schemes • Provision of significant opportunities for learning and development	• First modules of investment programme on business process transformation and ERP system implemented • Facility investments in Branford • Management and leadership training programme delivered globally to all senior management teams and being rolled out to middle management • Signed agreement for the construction of our new global headquarters on the Cambridge Biomedical Campus and building works underway		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 for business as usual and to handle training • Appropriate resource is committed to advisors and backfilling in-house staff who will work on the project • Oracle Cloud means limited customisation but a greater need for business transformation • Global systems integrator working in partnership with Abcam and Oracle to ensure a quality go-live • Appropriate/best practice project management and governance structures in place • Regular monitoring of progress and remedial action	• Design complete, first modules implemented. Remaining modules have been unit tested and systems integration testing commenced • Detailed plans are in place for systems integration testing and user acceptance testing with a changed approach to testing and training due to a greater understanding of the complexity of integrations, the functionality provided by the ERP system and the impact on our global business procedures and workforce • Audit of ERP project governance processes by an external advisor • Significant investment in external expertise in project management and key deliverables such as testing, integration and business transformation • Backfilled/contractor staff to support testing and go-live		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 main 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 are understood • Forward cover where appropriate and in line with the Group hedging policy • Where possible created natural hedges matching sales and costs in the same currency	• More volatility in FX markets as a result of global macro-economic and political factors including Brexit and the US presidential election • Continued use of US Dollar, Euro, Japanese Yen and Chinese Renminbi forward contracts	^	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. Brexit has introduced some uncertainty into European markets and the US future research funding position has become less predictable since the US election result	• Mitigated to an extent given that Abcam trades globally and such issues are likely to be country specific • Our products are used as research consumables, which are more resilient to budget cuts than large capital investment projects • Further expansion into high growth markets and high margin products • Continue geographic penetration to diversify revenues from any single government funding source	• 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 • Increased uncertainty in the funding environment in the UK and the US following Brexit and US election	^	1 2 3

Non-compliance with laws and 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 closure 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 • Legal department monitors changes to laws and regulations	• Legal department monitors changes to laws and regulations and oversees actions to ensure compliance • Various tax audits completed with no significant findings • Transfer pricing structures reviewed and fully implemented across the Group • Permanent establishment review by external advisor • Code of conduct and anti-bribery training for all staff	>	1 4

Sustainability

Underpinning our ambition to become the most influential life science company for researchers worldwide is Abcam's reputation for ethical business practices, and behaving in a socially and environmentally responsible way.

Our sustainability activities are around three key areas:

our communities

our people

health, safety and the environment

Our communities

Abcam has a proud history of involvement with local communities by supporting and partnering with organisations that align with our goal of helping advance life science research. We aim to help communities through programmes that inspire the next generation of scientists, and by supporting life science research through corporate giving and fundraising activities.

Partnering with In2Science to encourage the next generation of scientists

In2Science is a charitable organisation that encourages students from low socio-economic and under-represented backgrounds to pursue scientific careers. The two-week programme provides placements at leading research organisations for students to work on cutting-edge scientific research: 78% of students that go through the programme progress onto science degrees and STEM careers.

Abcam is proud to be partnering with In2Science and this year launched an image competition for the students during their research placements. The entries were outstanding and demonstrated high engagement of the students with their projects.

In 2017, In2Science will be expanding from London to include programmes in Harlow and Cambridge, and Abcam will be working closely with the charity to launch a new bespoke mentoring programme.

In2Science & Abcam image competition winner (2016): Ilhaam Ibrahim.

Charitable donations

This year we have made charitable donations exceeding £70,000, including donations to local charities including Jimmy's Night Shelter, In2Science, and Breast Cancer Now.

We have also supported charities through fundraising activities and volunteering. In the UK a team of employees ran the Cambridge half marathon in aid of Breast Cancer Now, raising over £8,000 and our US offices are actively involved in volunteering, and this year have volunteered with Habitat for Humanity to help build a home for families in South Boston and organised a holiday toy drive to provide gifts for families in need.

Our people

Attracting and retaining the best talent is crucial to the success of our business. During the year, we invested in a new global careers website which won the best website at the In-house Recruitment Awards in November 2016. We have started to roll out a new global on-boarding process where senior leaders welcome all new employees and spend time explaining our unique culture and what we expect of people. To improve how we communicate we launched a new intranet where we regularly share stories and updates on business performance, employee events and achievements. We have started to publish detailed infographics celebrating key achievements and results over the course of the year. Every quarter we hold our Global Conversation – a meeting where we present business updates and recognise employee and team achievements. These are broadcast live and employees both present at the meeting and watching in other global locations can ask questions. Employees across the globe can watch live, plus they are recorded and posted on our intranet for anyone not able to join live. They are also translated for employees where English is not their first language.

We provide employees with an anonymous question service "Ask Alan" – allowing anyone to send a question on any topic to the CEO. With the launch of our code of conduct this year we introduced a global hotline for raising concerns and questions. We have continued to listen to our people through our annual all-employee survey which this year had a response rate of nearly 90% and saw a rise on employee Net Promoter Score of over 20 points. We have expanded our staff forums – adding permanent ones in the US as well as the UK. These give us additional opportunities to listen to our people.

We provide employees with a positive and healthy work environment, where they are listened to and recognised for their contributions. In the UK, all permanent employees have the opportunity to share in the success of Abcam via the award of free shares and can participate in our Share Incentive Plan (SIP). As of June 2017, 38% of UK employees were enrolled in our Share Incentive Plan.

How we do things at Abcam

Trust is a fundamental element of our business. We want to be valued for the high quality research tools we provide and trusted for the way in which we work. Underpinning our ambition is Abcam's reputation for ethical business practices and high standards of integrity.

We have launched our code of conduct, called "How we do things at Abcam". This defines who we are as a company, how we make decisions, what standards we expect and how we behave amongst ourselves and with others. All of our people have been trained on this. We have also launched codes of conduct for our suppliers and distributors, which clearly state our expectation that our suppliers and distributors demonstrate a culture that reinforces ethical and lawful behaviours.

> "I have always been passionate and enthusiastic about science and cannot wait to develop my understanding and knowledge. I look forward to contributing to Abcam and am very grateful to be given this amazing opportunity.

Jade Smith, Apprentice Laboratory Technician,
Innovation & Manufacturing – Purification

Meet our first Trailblazers

This year saw the launch of Trailblazers – our new apprenticeship scheme that gives people the opportunity to become qualified within a working environment, while helping us to grow talent within the business. We will be hosting apprentices in Finance, HR, customer experience, the lab and logistics.

We have already welcomed our first two apprentices, based in the lab.

Enabling our employees to serve customers faster

We have been reviewing and improving our global systems and processes to ensure they fit our future needs as we continue to grow at pace. By implementing a new ERP system, we hope to build the foundations of a smarter, faster and more scalable organisation.

This long-term project is in its implementation phase: this year we have released the HR modules that are focused on self-service to allow employees and leaders access to people information quickly and has allowed us to restructure the HR function to support the global business more effectively. We have also released modules that integrate our sales, service and marketing functions, allowing us to understand and meet customer needs better and streamlining our processes globally.

Health, safety and the environment

We provide a fair and safe work environment for employees and ensure we follow legal requirements and best practice standards. Following sustainable practices is important to Abcam's success and we continue to look for ways to improve our environmental impact and operational efficiency.

Gold award for sustainable travel

We are constantly working to improve and encourage sustainable travel, and this year we were rewarded with a gold sustainable travel initiative award at the Travel Plan Award ceremony in Cambridge, UK. This award reflects initiatives introduced in the past year such as branded cycle wear, a new Lifeshare website and cycle to work schemes, and also how engaged and committed our employees are to sustainable travel.

Investing in our locations

We strive to house our rapidly growing workforce in facilities that are pleasant and safe. We have made good progress with our global offices this year. Construction of our new Cambridge HQ has begun. The new HQ will bring our Cambridge-based operations and employees under one roof in a new state-of-the-art facility. The new HQ has been designed with a strong vision for the future, and will improve efficiency across all business functions.

We have also refurbished or expanded many of our existing facilities: we have completed refurbishment of the AxioMx site in Branford and the Boston office, and expanded our Shanghai and Eugene offices.

Our financials

Gavin Wood
Chief Financial Officer

Summary

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

Revenue

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

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

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

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

Gross margins

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

Administration and management expenses

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

- £11.4m owing to the relative weakness of Sterling consisting of £3.5m in relation to costs denominated in the currency of the Group's overseas entities (which, when translated into a weaker Sterling results in higher charges to expenses), and £7.9m of net currency losses from forward selling currency contracts together with transaction and translational currency impacts;
- £3.0m additional performance-related remuneration charges driven by the strong Group results in the year;
- £1.4m spend to further strengthen commercial and support teams as part of building business scalability, with key people being recruited for IVD, an area of future strategic importance, and marketing teams supporting the RabMAb® and core primaries product categories; and
- £2.0m cost increase in global operations and logistics, related to the increase in revenue volumes and organisation structure improvements, including securing key senior roles to build in-house expertise in global operational processes and increased premises space to accommodate expansion of operations, and the costs associated with closing a small reagent manufacturing facility in Bristol following a review of the Group's manufacturing footprint.

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

Research and development expenditure

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

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

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

Investing in infrastructure, systems and processes

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

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

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

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

Earnings and tax

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

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

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

Our financials continued

Earnings and tax continued

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

Balance sheet

Goodwill and other intangibles

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

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

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

Property, plant and equipment

Property, plant and equipment additions of £10.2m (FY 2016: £8.0m) have been made in the year. This reflects continued investment in support of our growth strategy, with £3.6m spent on improvements to research and manufacturing sites including an investment of £2.4m in significant expansion of our Branford, Connecticut, site and £3.6m on continued development of the Group's product catalogue.

The capital expenditure figure above includes a £1.1m contribution to the initial ground preparation and fit-out work for our HQ building (FY 2016: £0.6m).

Non-current liabilities

Consideration payable on the acquisition of AxioMx included an element of performance-based payments; a contingent liability of £10.9m reflecting the expected future payment was included in non-current liabilities at 30 June 2016. During the year an early settlement of certain milestones was negotiated and performance against the other outstanding milestones was met. Consequently there is no further liability associated with this acquisition. See note 24 on page 91 for further details.

Cash flow

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

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

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

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

Looking forward

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

Gavin Wood
Chief Financial Officer
8 September 2017

Alternative performance measures

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

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

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

The measures used in the financial review are defined in the table below and reconciliations to the nearest related IFRS measure are included subsequently on pages 26 and 27.

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Adjusted Operating Profit	Operating profit	Consolidated income statement	Based on the related IFRS measure but excluding adjusting items: • Acquisition-related income arising on the settlement of contingent consideration of the AxioMx acquisition in FY 2016, net of related discount unwind and related acquisition costs • Amortisation of acquisition-related intangible assets across the Group • Incremental costs associated with the implementation of a new global ERP system and associated processes	Allows management to assess the performance of the business after removing the distortion of large/unusual items or transactions that are not reflective of the routine business operations
Adjusted profit before tax	Profit before tax	Consolidated income statement		
Adjusted basic EPS	Basic EPS	Consolidated income statement		
EBITDA	Operating profit	Consolidated income statement	Consolidated earnings before interest, tax, depreciation and amortisation	Provides management with an approximation of cash generation from operational activities
Adjusted EBITDA	Operating profit	Consolidated income statement	Consolidated earnings before interest, tax, depreciation, amortisation and adjusting income items noted above	Provides management with an approximation of cash generation from operational activities after removing the distortion of large/unusual items or transactions that are not reflective of the routine business operations
Constant exchange rate (CER)			CER is achieved by applying the prior year's actual exchange rates to the current year's results	Allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements which are outside of management's control
Free cash flow (FCF)	Cash flow from operating activities	Cash flow statement	Free cash flow is the cash generated from operating activities less non acquisition-related capital expenditure	Provides management with an indication of the amount of cash available for discretionary investing or financing after removing the distortion of large/unusual expenditures that are not reflective of the routine business operations

Our financials continued

Alternative performance measures continued

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

Reconciliation of adjusted income/(expense) measures

	30 June 2017				
	Adjusted income measure £000	Acquisition-related (costs)/income £000	Incremental costs associated with the systems and improvements £000	R&D tax credit relating to prior year £000	Reported IFRS measure £000
Revenue	217,098	—	—	—	217,098
Cost of sales	(64,998)	—	—	—	(64,998)
Gross profit	152,100	—	—	—	152,100
Administration and management expenses	(73,440)	(523)	(4,436)	—	(78,399)
Research and development expenses	(14,182)	(4,383)	—	—	(18,565)
Operating profit	64,478	(4,906)	(4,436)	—	55,136
Operating profit margin[1] (%)	29.7%	2.3%	2.0%	—	25.4%
Finance income/(expense)	137	(3,399)	—	—	(3,262)
Profit before tax	64,615	(8,305)	(4,436)	—	51,874
Taxation	(12,620)	2,227	876	—	(9,517)
Profit after tax	51,995	(6,078)	(3,560)	—	42,357
Earnings per share (pence)					
Basic	25.66	(3.00)	(1.76)	—	20.90
Diluted	25.46	(2.98)	(1.74)	—	20.74

1 Operating profit margin is operating profit divided by revenue.

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

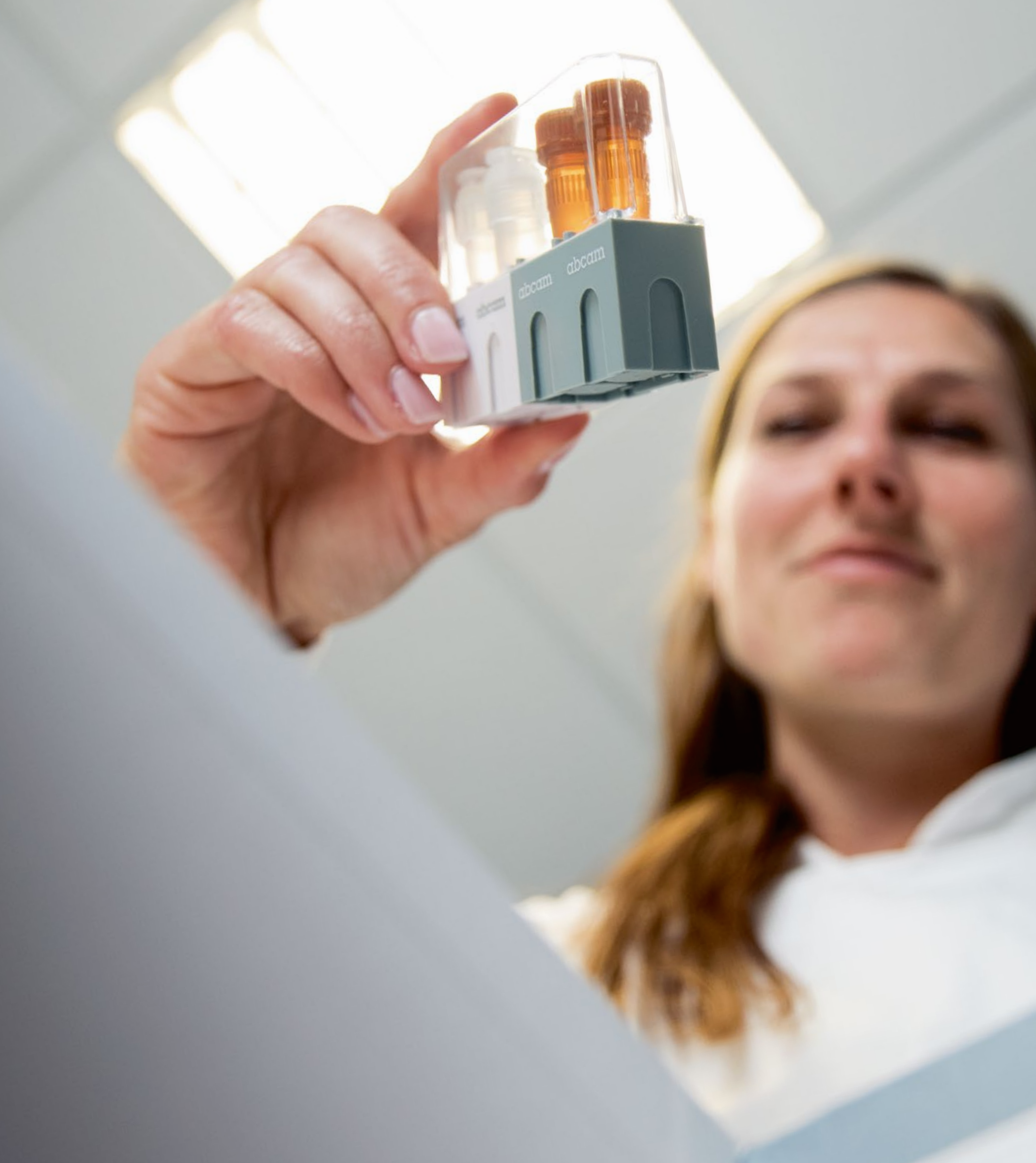
Reconciliation of alternative profit measures

	30 June 2017 £000	30 June 2017 %	30 June 2016 £000	30 June 2016 %
Operating profit	**55,136**	**25.4**	46,318	27.0
Depreciation and amortisation	**15,326**		11,355	
EBITDA	**70,462**	**32.5**	57,673	33.6
Contingent consideration – change in fair value, net of related acquisition costs	**(983)**		466	
ERP improvements	**3,873**		2,645	
Integration costs	**(21)**		480	
R&D tax credit relating to prior years	**—**		(1,308)	
Adjusted EBITDA	**73,331**	**33.8**	59,956	34.9

Reconciliation of alternative cash measures

	30 June 2017 £000	30 June 2016 £000
Net cash inflow from operating activities	**66,384**	47,314
Less:		
Purchase of property, plant and equipment	**(10,224)**	(7,974)
Purchase of intangible assets	**(8,947)**	(7,608)
Transfer of cash into escrow for future capital expenditure	**(6,075)**	—
Free cash flow (FCF)	**41,138**	31,732

Corporate governance



Chairman's governance overview

I am pleased to present the Corporate Governance Report for the year ended 30 June 2017.

Good corporate governance is fundamental to the success of our business. The Board and its Committees have a key role in our governance framework by providing external and independent support and challenge, understanding the views of shareholders and stakeholders, and ensuring that a culture of good governance is promoted across the business. Our continuing aim is to promote and maintain 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 2017.

The UK Corporate Governance Code (Code)

Although as an AIM-listed company we are not required to comply with the Code, which sets out the principles of good practice in relation to corporate governance to be followed by Main Market-listed companies, the Board continues to believe that it is appropriate for Abcam to comply with the Code insofar as is practicable given the Company's size and the nature of its operations. I am happy to report that we have complied with the principles and provisions of the 2016 edition of the Code in all material respects during the 2016/17 financial year.

My role as Chairman

My role is to ensure that the Board of Abcam operates effectively in delivering the long-term success of the Company. In fulfilling this role I seek to ensure that Board proceedings are conducted in such a way as to allow all Directors to have the opportunity to express their views openly and that, in particular, the Non-Executive Directors are able to provide constructive support and challenge to the Executive Leadership Team.

Culture and business ethics

Underpinning Abcam's ambition to be valued for the high quality research tools we provide, and to be trusted for the way in which we work, is our reputation for ethical business practices and high standards of integrity. This has been a particular area of focus for Abcam this year. The Board has reviewed and approved a new code of conduct for staff, 'How we do things at Abcam', which has been produced in four languages and distributed to all employees across the business. We have launched compulsory online anti-bribery training for all employees in three languages, updated our gifts and hospitality policy, and enhanced our whistleblowing arrangements. We have also launched codes of conduct for our suppliers and distributors which clearly state our expectation that our suppliers and distributors demonstrate a culture that reinforces ethical and lawful behaviours.

Capital investment projects

The Board and the Audit and Risk Committee have received regular progress updates on the implementation of our new enterprise resource planning (ERP) system during the year, with a particular focus on risks related to the quality, cost and timing of delivery of the project. We are very pleased with the manner in which the project has been managed, and the operational and strategic benefits that the system will deliver as it is embedded throughout the business over the coming months.

The Board has also considered and discussed the project to design and build our new headquarters in Cambridge, again with a particular focus on the identification and mitigation of risks associated with the investment.

Succession planning and Board changes

The composition of the Board changed significantly during the year, as described in last year's Nomination Committee Report. We appointed Gavin Wood to the Board to replace Jeff Iliffe as CFO, and three other Directors (Jim Warwick, Michael Ross and Anthony Martin) stepped down. The Nomination Committee has kept the composition of the Board and the Committees under review, and it is our intention to appoint an additional Non-Executive Director during 2018. However, we are satisfied that the current composition of the Board reflects an appropriate balance of skills, experience, knowledge and diversity, and remain confident that the Board and its Committees have operated effectively during the year.

Succession planning and talent management have also remained firmly on the agenda of the Board and the Nomination Committee over the last year, and are detailed in the Nomination Committee Report on page 40.

Board and Committee evaluation

We regard regular Board and Committee evaluation as a valuable tool in maintaining and improving Board effectiveness. Following last year's performance evaluation, it was decided to reduce the number of Board and Committee meetings in order to improve efficiency. This has proved to be a successful decision, allowing more focused and constructive debate at Board and Committee meetings.

This year I again conducted a thorough evaluation process, which was discussed in detail by the Board. Overall, we are satisfied that the Board is both efficient and effective with a good mix of skills and experience. There is always room for improvement and we have identified some areas around Board process to develop in the coming year. 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 34 to 54.

The year ahead

Over the coming year, and in addition to our normal duties, the Board will focus on the continued implementation of the ERP system and progress on the development of our new headquarters in Cambridge. We will also monitor with interest the ongoing corporate governance debate in the UK and in particular any changes that may be recommended by the Financial Reporting Council (FRC) to the Code. We believe that our governance framework is robust and effective, but recognise that we will need to consider any changes that it may be appropriate for us to address following any revisions to the Code. Moreover, we will continue to monitor, assess, and seek ways to underpin and improve our governance further.

Murray Hennessy
Chairman
8 September 2017

Directors and Company Secretary

Abcam's Board of Directors has a diverse breadth and depth of skills and experience, and is therefore able to support and guide the Group as it pursues its strategy of investing for growth.

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), Chairman of Receipt Bank, Chairman of Talon Outdoor 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 a Board Director of 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, a Senior Independent Director, a Remuneration Committee Chairman and a 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 of 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 the International School of Biomedical Diagnostics at Arizona State University and Dublin City University, the only institution 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 Allscripts Healthcare Solutions Inc., Castle Biosciences, Blue Cross Blue Shield Arizona, OraSure Technologies, 3Scan and 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: Alan joined Abcam as Chief Marketing Officer in 2013 to implement the growth strategy he defined with the Board and the CEO. In 2014, he became CEO and succeeded Abcam founder Jonathan Milner. 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 science researcher with BS and MS degrees from Cornell University. He also has a passion for social enterprise and was involved in establishing two social venture philanthropy organisations in the UK and later acted as a Trustee for the National Citizen's Service Trust.

Current external appointments: Alan has no 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 plc across finance, and latterly as Head of Corporate Development and Group Treasurer, and Managing Director Finance at 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 of St. James's Place (representing LBG), a member of the audit and remuneration committees of the British Bankers' Association, 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, Chair of the Audit and Assurance Council, a member of the Codes and Standards Committee of the Financial Reporting Council, a Non-Executive Director of Schroder & Co. Limited, a member of the Audit and Risk Committee of Schroder Wealth Management Division and a Non-Executive Director of Barclays Pension Funds Trustees Limited.

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.

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 Dr David Cleevely and Professor Tony Kouzarides.

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

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 40 companies and has assisted three AIM IPOs.

Gavin Wood BA (Hons), ACA
Chief Financial Officer

Appointment: September 2016.

Background: Gavin is a Chartered Accountant who started his career in practice in London before moving to Grant Thornton's Thames Valley office. After five years in practice, Gavin moved to Unipart Group of Companies, where he had a number of roles of increasing responsibility including global ERP implementations and business unit controller. Gavin then moved into the life sciences sector and spent nearly a decade at Nasdaq-quoted Affymetrix, Inc. in a variety of roles, most recently as Executive Vice President and Chief Financial Officer leading the global finance and information technology functions.

Current external appointments: Gavin has no external appointments.

Skills and experience: Gavin has over 20 years' experience as an accounting professional with broad and international exposure in a number of sectors and roles including corporate, statutory and operational accounting, project management and investor relations.

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 (excluding 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.

Current external appointment: School Governor of Maidstone Grammar School for Girls.

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.

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.

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 30 and 31.

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 37 to 39.

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 41 to 54.

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 40.

Disclosure Committee

Oversees the identification and control of inside information by the Company to meet its disclosure obligations under the Market Abuse Regulation, the AIM Rules and the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules (DTR).

Executive Directors

Responsible for the 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 CFO 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)

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, two Executive Directors and four Non-Executive Directors (NEDs), one of whom is the Deputy Chairman. The Board reflects a good balance of skills and experience from financial, operational, sector-specific and general business backgrounds as described in the Directors' biographies set out on pages 30 and 31. The key responsibilities of the members of the Board 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 ELT 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	Gavin Wood	Supports 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 for the Chairman and the CEO. Represents Abcam at external events and forums worldwide and is an ambassador for Abcam in the scientific community.
Senior Independent Director (SID)	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 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	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Current Directors				
Murray Hennessy[1]	8/8	1/1	3/3	3/3
Alan Hirzel	8/8	n/a	n/a	n/a
Gavin Wood (appointed to the Board on 12 September 2016)	6/6	n/a	n/a	n/a
Sue Harris	8/8	5/5	6/6	3/3
Jonathan Milner	8/8	n/a	n/a	n/a
Mara Aspinall[2]	7/8	n/a	2/2	2/2
Louise Patten	8/8	5/5	6/6	3/3
Past Directors				
Jeff Iliffe (left the Board on 12 September 2016)	2/2	n/a	n/a	n/a
Anthony Martin (left the Board on 31 October 2016)	2/3	2/2	3/3	n/a
Michael Ross (left the Board on 31 October 2016)	3/3	n/a	n/a	0/1
Jim Warwick (left the Board on 31 December 2016)	4/4	n/a	n/a	n/a

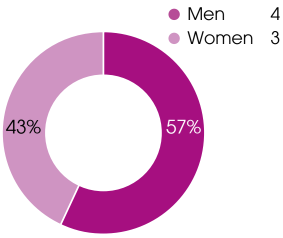
1 Appointed a member of the Remuneration Committee on 8 December 2016. Appointed a member of the Audit and Risk Committee on 1 November 2016; however, it was decided on 8 December 2016 that he should cease to be a member of that Committee.

2 Appointed a member of the Remuneration and Nomination Committees on 8 December 2016.

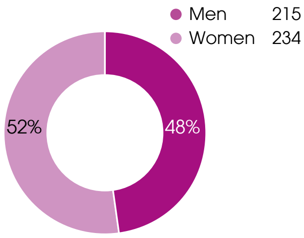
Corporate governance report continued

Gender diversity

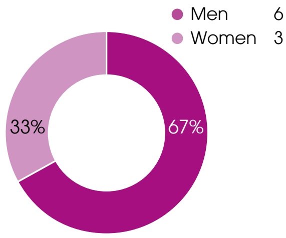
Board



All employees[1]



Executive Leadership Team

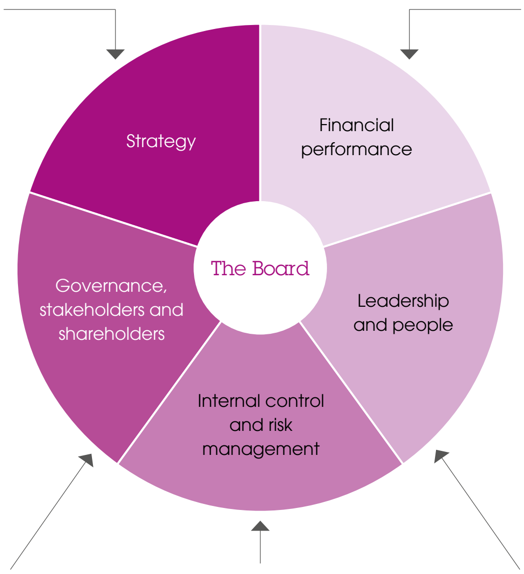


The percentage of women on the Board is currently 43%, putting us ahead of recommended targets for FTSE 350 companies. We also have a good representation of women in senior management, and continue to seek to increase the pipeline of women into both the Board and senior management.

1 As at 30 June 2017, 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. A summary of the activity of the Board during the year is set out in the chart below.



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.
- Reviewed progress of the design and development of new Abcam headquarters at the Cambridge Biomedical Campus.
- Received various departmental presentations from members of the ELT 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 through regular presentations 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 legal and regulatory updates on topics such as gender pay gap and payment practices reporting.
- Reviewed feedback from institutional shareholders and analysts following the annual and interim results.
- Approved the Company's Modern Slavery Act Statement.
- Reviewed the terms of reference of the Board Committees.
- Reviewed Company policies, including approval of 'How we do things at Abcam', the Gifts and Hospitality Policy and the new Supplier Code of Conduct.

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.
- Monitored the implementation of the enterprise resource planning system, which will improve and streamline the flow of information between all business functions and improve internal controls.
- 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.
- 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.

Board meetings

The Board meets on six occasions in person during the year on a bi-monthly basis with two further scheduled telephone conferences. In addition, ad hoc meetings may be called to discuss urgent matters arising during the course of the year, or to approve the annual and interim accounts and dividends. A separate one-day strategy session is also held once a year to discuss the longer-term aspirations and objectives 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. More informal and extended discussions on strategy routinely take place before, after and in between bi-monthly Board meetings.

The Chairman also 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.

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

Effectiveness

Information and support

The Chairman, the Executive Directors and the 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 as well as governance is appropriately balanced.

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

Board development

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 Market Abuse Regulation, the Modern Slavery Act 2015 and anti-corruption legislation.

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.

Director independence

The Board considers all Non-Executive Directors to be independent within the meaning of the Code, with the exception of Jonathan Milner who is a founder of Abcam and was an Executive Director of the Company until September 2014.

In accordance with an established procedure, all Directors are required to notify the Board of any conflicts of interest, and a register of such interests is maintained by the Company Secretary and formally reviewed at Board meetings. 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 conflict with 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.

In determining the independence of the Non-Executive Directors, the Board also considers the beneficial interests of such Directors in the share capital of the Company. Those interests are set out on page 49 and do not (other than in respect of Jonathan Milner, who is not considered independent), in the opinion of the Board, detract from their independent status.

Board evaluation

The Board undertakes a regular evaluation of its own performance which is led by the Chairman. One of the key findings of the 2016 evaluation was that the number of Board and Committee meetings should be reduced to improve efficiency and the calendar of meetings was therefore amended to address this concern, principally reducing the number of formal Board meetings per year from eleven to six.

The 2017 Board evaluation was again conducted by the Chairman by way of questionnaires and face to face meetings with each Director. The outcome of the evaluation process was presented to the Board in June. As well as confirming the improved efficiency of the Board and Committees as a result of the reduction in meeting frequency, the key findings of the evaluation process were:

- the composition of the Board is strong with a good mix of skills and experience, but the Board agrees it is right to appoint a further Non-Executive Director;
- Board dynamics are good, with all Directors able to share their views and challenge; and
- the balance of discussion between strategic, operational and governance matters is appropriate.

In addition, some areas of focus/improvement were identified for the 2017/18 financial year including enhancing some of the non-financial reporting to the Board and developing the process by which the impact of key decisions are reviewed.

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 Code. The system of risk management and internal control is kept under review by the Audit and Risk Committee, which reports to the Board on its findings. The Board considers and determines the principal risks faced by the Company, which are set out on pages 16 to 19, and also conducts an annual review of the effectiveness of the risk management and internal control systems.

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 that controls over the financial reporting process and preparation of the consolidated accounts include extensive reviews by qualified and experienced individuals to ensure that all elements of the financial statements and appropriate disclosures 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. During the year, the Company has also implemented a new online whistleblowing portal and hotline, Speak Up, through which employees are encouraged to raise questions and concerns, anonymously if preferred. Speak Up is managed by a third party and not staffed by Abcam employees. Any concerns raised in accordance with the whistleblowing policy are reviewed by the Audit and Risk Committee.

Disclosure Committee

The Disclosure Committee was established by the Board in July 2016 to assist the Company in complying with its obligations relating to the disclosure and control of inside information under the Market Abuse Regulation and the AIM Rules. Its responsibilities include identifying inside information, ensuring the appropriate disclosure of inside information and maintenance of insider lists, and that effective internal controls are in place to keep any inside information confidential. The Disclosure Committee meets as and when is necessary in order to discharge its obligations.

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 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.

Where appropriate, the Company consults with shareholders on significant issues. During 2017 the major shareholders were offered the opportunity to meet the Chairman and/or the SID to discuss Abcam's strategy and governance arrangements.

In addition, our financial public relations advisors and corporate brokers gather investor and analyst feedback following meetings and roadshows, which is relayed to and reviewed by the Board.

Annual General Meeting (AGM)

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

All Committee chairmen attend the AGM to answer any questions that shareholders may have on specific matters within the relevant Committee's remit.

Audit and Risk Committee

Sue Harris
Audit and Risk Committee Chairman

Committee members
- Sue Harris (Chairman)
- Louise Patten

As Chairman of the Audit and Risk Committee, I am pleased to present the Committee's report for the year ended 30 June 2017. This report details the work of the Committee over the past year, fulfilling our responsibilities to provide effective governance over the Group's financial affairs to ensure that shareholders' interests are properly protected in relation to internal controls and financial reporting. In meeting these responsibilities, we continue to consider the provisions of the Code and the FRC Guidance on Audit Committees.

Effective Committee governance

Louise Patten and I are both independent Non-Executive Directors with a combination of accounting, financial, risk, commercial and strategic experience in listed companies and with Abcam since 2014. The Committee acts independently of management to ensure that the interests of shareholders are appropriately protected in relation to financial reporting, internal control and risk management.

The Board has determined that I meet the Code requirements for the Committee to have one member with recent and relevant financial experience as I am a qualified accountant with over 30 years' financial, risk and commercial experience in listed companies.

Shortly prior to the 2016 Annual General Meeting, Anthony Martin stepped down from the Board and ceased to be a member of the Committee. Murray Hennessy was appointed as an additional member of the Committee and attended the November meeting, such appointment being permitted under the Code. Subsequently, as part of a general review of Board Committees as the size of the main Board was reduced, it was decided that the Committee should be reduced to two members. Murray Hennessy therefore stepped down from the Committee following the November 2016 meeting.

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) and, where appropriate, other members of management, internal audit and 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.

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, and 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 and review the robustness of our risk management system and internal controls;
- oversee assurance work including the work of the Group's internal auditor;
- oversee the Group's external audit process, monitor the auditor's independence, objectivity, effectiveness and performance, and approve any engagement of 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

- considering and deciding if the accounting policies are appropriate and reviewing the key judgements and estimates that underpin financial reporting as set out in note 4 to the financial statements on pages 76 and 77. Other matters considered included reviewing the Group's accounting for the completion of milestones and settlement of the contingent consideration related to the acquisition of AxioMx, the provision for bad and doubtful debts, the presentation of goods-in processing costs, taxation (tax losses, transfer pricing primarily related to China, and R&D claims) and the tax provision, and the impairment review of goodwill and intangibles;
- reviewing the Annual Report and Accounts, interim management statements, associated analyst presentations and press releases and challenging where appropriate to ensure clarity and completeness of disclosures including considering alternative performance measures to inform shareholders and other stakeholders, and 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 the scenario analysis.

Risk management and internal control

- reviewing principal risks and risk appetite to ensure effective and continual improvement in risk management including reviewing and challenging the assessment of business-wide risks and actions to mitigate;

Committee activities continued

Risk management and internal control continued

- reviewing the effectiveness and integrity of the internal financial controls framework that underpins financial reporting. The Committee has considered reports on internal control reviews in the period. These reviews did not highlight any significant control failings, though they did identify some areas where existing controls could be strengthened;
- monitoring progress on the implementation and project governance of the new ERP system including receiving the internal auditor's report on programme assurance;
- reviewing Group insurance cover;
- reviewing hedging strategy and policy application in light of changing global market conditions; and
- monitoring and reviewing internal audit, approving the appointment of KPMG LLP (KPMG) as internal auditor, reviewing and approving the internal audit plan for 2016/17 ensuring alignment with key risks, and challenging key audit outcomes and recommendations.

Tax

- overseeing the Group's tax affairs and reviewing Group tax strategy for recommendation to the Board; and
- reviewing the preparation for compliance with Senior Accounting Officer (SAO) legislation. The parent company has implemented enhancements to the internal control framework in anticipation of the requirement to comply with SAO legislation that is expected to apply from the financial year 2018/19.

External audit

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

Compliance

- reviewing and considering the operation of the Group's compliance initiatives, including the launch of the employee code of conduct called 'How we do things at Abcam', a global whistleblowing hotline and portal and compulsory online training in anti-bribery.

External audit

Effectiveness

The Committee undertakes an annual assessment of the effectiveness of the external auditor, incorporating 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, which is informed by the FRC's Audit Quality Practice Aid for Audit Committees, considers:

- delivery of a thorough, robust and efficient global audit in compliance with the 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 and 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, and that it continued to be satisfied with PwC's performance and effectiveness.

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 during the year and remain satisfactory.

During the year, the Committee reviewed and revised the policy for the use of the external auditor for non-audit work to ensure that objectivity and independence are not compromised and that it is in line with the new EU audit regime introduced in 2016. Under the revised policy, all non-audit services to be contracted with the auditor require approval by the Committee. The external auditor will not be engaged to provide non-audit services that would be prohibited taking account of recent EU legislation applicable to Main Market companies.

Details of fees paid to PricewaterhouseCoopers LLP (PwC) during the year are outlined in note 7 on page 79 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. The ratio of non-audit fees to audit fees is 13:87.

Appointment and tendering

PwC has served as Abcam's external auditor since September 2013, when a full tender process was carried out. The current audit partner, Simon Ormiston, 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 2016/17 financial year, and with PwC having confirmed its willingness to continue in office as external auditor, the Committee recommended to the Board that PwC be re-appointed as external auditor for the 2017/18 financial year, subject to approval at the AGM. There were no contractual obligations that inhibited or influenced the Committee's recommendation.

Internal audit

As reported last year, following a tender process KPMG was appointed to provide internal audit services to the Group. KPMG presented its internal audit plan for 2016/17 to the Committee in November, and its work during the year has focused on:

- project assurance for the implementation of the new ERP system;
- cyber security;
- a business health check in China; and
- US and UK payroll.

KPMG has provided updates on progress against the internal audit plan at each of the subsequent Committee meetings, including reports on each completed audit. The Committee will monitor the effectiveness of the internal audit function, including management's response to internal audit findings, and is pleased that the new internal audit programme has been well received across the Group.

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	Committee's review and conclusions
Longer-term viability statement	The Committee reviewed the assessment of the viability of the Group. This assessment was based upon the Group's medium-term financial and operating plans and risk assessment, and included appropriate scenario analysis. The Committee continued to be satisfied that a period of five years was suitable and that the viability statement be provided.
Strategic IT investment	The strategic ERP investment project is a complex, global implementation with multiple phases, and implementation will extend into the next financial year. The Committee has maintained its review of programme progress with particular consideration of financial accounting and controls processes. In line with last year the Committee has provided oversight of the accounting for both capital and revenue expenditure. There has been additional oversight of this important programme at Board level with a focus on its broader reach across the Group.
Inventory and property, plant and equipment valuation for in-house manufactured items	Inventory manufactured in house, and capitalisation within property, plant and equipment of the costs of new hybridoma and assay development include an element of overhead allocation. 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. During the year the Company amended the estimated product sales life for all product categories (except biochemicals) and reviewed the growth rates of product sales taking account of all the historical data available to the Company. The impact on the provision was not significant. 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.

The Committee has had a busy and productive year as newer control processes such as internal audit have bedded in and finance capability further develops to meet the needs of the Group as it continues to grow. I look forward to another successful year in 2017/18.

Sue Harris
Audit and Risk Committee Chairman
8 September 2017

Nomination Committee

Murray Hennessy
Nomination Committee Chairman

Committee members

- Murray Hennessy (Chairman)
- Mara Aspinall
- Sue Harris
- Louise Patten

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.

Board changes in the year

The size of the Board has reduced during the year as a result of the retirement of Jim Warwick as COO, and Michael Ross and Anthony Martin stepping down from the Board at our 2016 AGM. The Committee keeps the composition of the Board under review and, while it is satisfied that the balance of skills, experience and knowledge on the Board is appropriate, the Committee has recommended that an additional independent Non-Executive Director be appointed in 2018.

Gender diversity

Following the Board changes during the year, female representation on the Board now stands at 43%, up from 30% at the end of the previous financial year. This puts Abcam ahead of recommended targets for FTSE 350 companies in terms of female Board representation. The Company continues to see the development of female executive talent as an important area. More details on gender diversity in the Company are set out on page 34.

Activity in the year

A key focus for the Committee during the year has been on the successful integration of new additions to the ELT. This has included a newly introduced mentoring programme whereby each ELT member has been assigned a Non-Executive Director mentor. They meet on a regular basis and the ELT member can use the time with the Non-Executive Director to support their career development journey, learning from their experience. The Committee has also supported the introduction of a coaching scheme to further the development of the leadership skills of the ELT.

Succession planning has been an important area of focus, with the Committee regularly discussing succession and receiving and discussing a detailed paper on succession planning across the business. A number of key priority areas have been identified, in particular the development of a robust pipeline of potential ELT successors and the deliberate effort to ensure that the development needs of potential successors are met.

Priorities for 2017/18

The Committee will continue to focus on succession planning, particularly for ELT positions, as well as monitoring the success of the mentoring and coaching schemes. The Committee will also focus on developing its plans for the orderly and progressive refreshing of the Board over time.

Murray Hennessy
Nomination Committee Chairman
8 September 2017

Part 1 – Remuneration Committee Chairman's statement

Louise Patten
Remuneration Committee Chairman

Committee members

- Louise Patten (Chairman)
- Mara Aspinall (appointed 8 December 2016)
- Sue Harris
- Murray Hennessy (appointed 8 December 2016)

On behalf of the Board, I am pleased to present you with the Committee's report for the year ended 30 June 2017.

This year Abcam has continued its trend of significant growth with an increase in total revenue of 26.5% to £217.1m (FY 2016: £171.7m) and a 13.2% increase in reported profit whilst making substantial investment in the business, including a global Enterprise Resource Planning (ERP) system as a platform to support continued growth demands.

Over the last three financial years, we have seen the successful execution of our strategy which has created significant value for shareholders. Abcam's total shareholder return has been 169.9% over this period, with a compound annual growth rate of 39.1%, and an increase in Abcam's market capitalisation from around £800m to over £2bn. Abcam has significantly outperformed the FTSE 250 index which had compound annual growth of 9.8% over the same period.

Although Abcam is not required by the AIM Rules to provide all the information detailed in this report, the Committee have chosen to do so to provide greater transparency to shareholders in accordance with best practice.

Within this context, I would like to provide you with an overview of the Committee's major decisions during 2016/17.

Remuneration Policy

The Committee undertook a strategic review of the approach to remuneration in 2015, and the resulting Remuneration Policy was put to an advisory vote at the 2015 AGM and approved by 91.5% of shareholders. We are not proposing to make any changes to our Remuneration Policy this year.

We engaged with shareholders prior to the publication of this Remuneration report. Over the coming year, we will seek their feedback as we carry out a review of our Remuneration Policy, which will be put to them for an advisory vote at the 2018 AGM.

Executive Director changes

As detailed in last year's Annual Report, 2016/17 saw changes to the Executive Directors following the departure of the CFO, Jeff Iliffe, on 12 September 2016, the appointment of Gavin Wood as CFO-elect on 18 July 2016, and his subsequent appointment as an Executive Director on 12 September 2016. The COO, Jim Warwick, retired on 31 December 2016. Details of the departure arrangements for Jeff Iliffe and Jim Warwick can be found on page 47.

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

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 long-term success of the Group.

- Both Alan Hirzel and Gavin Wood received increases to their base salaries of 2.5% effective 1 July 2017 in line with the average increase awarded to Abcam's UK employees.
- No increase will be made to the Chairman's remuneration in 2017/18.

2016/17 remuneration out-turns for Executive Directors

- Annual Bonus Plan (ABP) – the annual bonus out-turns in 2016/17 were 100% and 59.1% of the maximum award for financial and strategic measures respectively, reflecting a strong performance against stretching targets during the year. In combination with a good performance against personal objectives for both our Executive Directors (as detailed on page 44), this means our Annual Bonus Plan will pay 78% of the maximum for both the CEO and CFO of which 30% is deferred into shares, in line with our policy. Further details regarding achievement against each performance target are set out on page 44.

Remuneration report continued

Part 1 – Remuneration Committee Chairman's statement continued

2016/17 remuneration out-turns for Executive Directors continued

- Long Term Incentive Plan (LTIP) – awards granted on 4 November 2014 (at a maximum of 50% of salary), had an Earnings Per Share (EPS) performance condition measured over the three financial years ended 30 June 2017. Over the performance period, Abcam's rapid growth has placed demands on our existing systems and processes and the Board formally approved a significant investment in our ERP platform in February 2016. As the scale and complexity of this transformational programme had not been established when the LTIP target was set, the Committee has determined, as permitted under the Remuneration Policy, that it should be excluded from the calculation of EPS growth for the purposes of the LTIP awards. This resulted in an adjusted annualised compound EPS growth over the three-year performance period ended 30 June 2017 of 9.7% against a minimum target of 8% and a maximum target of 12%. Awards will therefore vest at 71.6% of the maximum award. Further detail regarding the EPS calculation and achievement against the performance target is set out on page 45.

Overview of out-turns and performance

These results reflect the successful execution of our strategy. Abcam has achieved strong financial growth, while also investing significantly in the people, systems and infrastructure required to support our continued expansion. The Committee has continued to place emphasis on ensuring that the remuneration outcomes are aligned with our long-term strategy and performance.

Louise Patten

Louise Patten
Remuneration Committee Chairman
8 September 2017

Part 2 – Directors' Remuneration Policy

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

AUDITED INFORMATION

a) 2016/17 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 2017 is set out below, together with comparatives for the prior year.

Single figure for total remuneration

	Alan Hirzel		Jeff Iliffe[1]		Jim Warwick[1]		Gavin Wood[2]	
	2016/17 £000	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000
Salary	**480**	320	**54**	265	**133**	265	**240**	—
Taxable benefits	**3**	2	**1**	2	**1**	2	**1**	—
Annual bonus	**562**	250	**28**	145	**93**	160	**280**	—
Long-term incentives[3]	**260**	—	**130**	—	**155**	—	**5**	—
Pension-related and other benefits[4]	**73**	42	**2**	29	**6**	2	**48**	—
Total remuneration	**1,378**	614	**215**	441	**388**	429	**574**	—

1 The figures in the table above for Jeff Iliffe and Jim Warwick represent their remuneration received up to their respective departure dates.

2 The figures in the table above for Gavin Wood represent the remuneration he received from the date he was appointed as an Executive Director.

3 The figures for the 2016/17 long-term incentives represent the value of the 2014 LTIP at the average market value in the final quarter of the financial year, being £9.29 plus the value of SIP free and matching shares awarded in the year at their market values at the date of grant, being £8.41.

4 Pension-related and other benefits include cash payments in lieu of pension contributions where pension contributions can no longer be made in a tax-efficient way. Jim Warwick waived his entitlement to £14,000 (2015/16: £30,000) of these payments in lieu of retirement benefits. The Company made donations to charities of its choice amounting to the total amounts waived.

The figures in the total remuneration table above are derived from the following:

Salary	The amount of base salary received in the year (including pay in respect of holiday accrued but untaken by Jeff Iliffe and Jim Warwick on the date of their respective departures).
Taxable benefits	The taxable value of benefits received in the year.
Annual bonus	The value of the annual bonus earned in respect of the year under the ABP. 70% of the annual bonus will be paid in cash and 30% deferred into Abcam plc shares which will vest on the second anniversary of the dealing day immediately following the period of ten dealing days beginning on the day on which the Company announces its preliminary results for the financial year, subject to continuous 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-approved Share Incentive Plan (SIP). Both are based on the fair value of the shares at the date of grant. The values shown in the 2015/16 column relate to the LTIP award made in 2013 based on compound EPS performance, which did not vest. The values shown in the 2016/17 column relate to the LTIP award made in 2014 based on compound EPS performance, which will vest at 71.6%.
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

Alan Hirzel received an increase in base salary to £480,000 with effect from 1 July 2016.

Gavin Wood joined Abcam as CFO-elect on 18 July 2016 and was appointed as an Executive Director on 12 September 2016. His base salary was set at £300,000 to recognise the market value of the role and his skills and experience.

Taxable benefits

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

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

AUDITED INFORMATION continued

a) 2016/17 single figure for total remuneration for Executive Directors continued

Details of individual elements of remuneration continued

Annual and deferred bonus

For the year ended 30 June 2017, 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 and Gavin Wood, 30% of the bonus will be deferred into Abcam plc shares which will vest on the second anniversary of the dealing day immediately following the period of ten dealing days beginning on the day on which the Company announces its preliminary results for the financial year, subject to continuation of employment.

Jeff Iliffe received a pro-rated amount to his departure date in relation to the cash element of his award and Jim Warwick received an amount equal to 35% of his base salary. In line with policy, neither Jeff Iliffe nor Jim Warwick will receive a deferred share award for the year ended 30 June 2017.

The Committee exercised its discretion to exclude the initial costs associated with the design and construction of the Group's new global headquarters in Cambridge, UK, from the profit before tax (PBT) calculation.

The targets and performance outcomes which resulted in the annual bonus shown in the total remuneration table on page 43 are as follows:

Annual Bonus Plan element	Performance
Financial (50% of total bonus) Financial performance is based on the Group's adjusted PBT, amended to reflect the initial costs associated with the design and construction of the Group's new global headquarters and bonuses on a budgeted exchange rate basis.	The table below shows the target ranges for 2016/17: (see table below) Overall out-turn was in line with maximum.
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 14.	The table below shows each strategic KPI measure, its relative weighting and an indication of the targets: (see tables below) Overall out-turn was 59.1% of the maximum.
Personal (17% of total bonus)	The personal objective out-turn was 50% of the maximum for Executive Directors against measures of employee engagement, achievement of milestones in the ERP implementation, business efficiencies and maximising the effectiveness of leadership teams.
Overall	Overall out-turn was 78% of the maximum.

Financial – target ranges for 2016/17:

		% of maximum
Threshold	£57m–£59m	25%
Target	£59m–£61m	50%
Exceed	£61m–£63m	75%
Maximum	>£63m	100%

Strategic measures:

Strategic measure	Weighting	Threshold	Target	Exceed	Maximum
RabMAb® primaries CER revenue growth	13%	17%–19%	19%–21%	21%–23%	>23%
Non-primaries CER revenue growth	7%	19%–21%	21%–23%	23%–25%	>25%
NPS	10%	20%–26%	26%–30%	30%–32%	>32%
Market position	3%	Target to maintain #1 position in research primary antibodies as well #1 or #2 in at least two other areas			

Achievement was as follows:

	Below threshold	Threshold	Target	Exceed	Maximum
% of maximum	0%	25%	50%	75%	100%
RabMAb® primaries CER revenue growth					✓
Non-primaries CER revenue growth	✓				
NPS			✓		
Market position			✓		

AUDITED INFORMATION continued

a) 2016/17 single figure for total remuneration for Executive Directors continued

Long-term incentives

The values shown in the 2016/17 column in the total remuneration table on page 43 relate to the LTIP award granted on 4 November 2014. The value of these at grant were a maximum 50% of salary and were based on EPS performance over the three years ended 30 June 2017. Achievement was as follows:

Performance measure	Threshold target	Maximum target	Achieved[1]	LTIP vesting (% of maximum)
Compound annual EPS growth	8%	12%	9.7%	71.6%

1 For the purpose of calculating EPS growth, the Committee excluded the exceptional investment costs in relation to the implementation of the ERP system.

Pension-related and other benefits

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

Where Executive Directors have elected to preserve their current lifetime or annual allowance for pension contributions, they are entitled to draw a cash supplement or other benefits equivalent to the cost to the Company of their pension entitlement, adjusted for employer's National Insurance (NI) contributions, such that the Company is in a neutral position. These amounts have been included within the pension-related benefits disclosed in the total remuneration table on page 43.

b) 2016/17 single figure for total remuneration for the Chairman and the Non-Executive Directors (NEDs)

The Company has a philosophy of share ownership which was extended to the Chairman and NEDs in the 2015/16 financial year by delivering one-third of their fees as Abcam shares.

Each NED has committed not to transfer or sell these shares during the term of their non-executive directorship.

Single figure for total remuneration

	Fees						
	2016/17			2015/16			
	Total fee £000	Delivered as cash £000	To be delivered as shares[1] £000	Total fee £000	Delivered as cash £000	Delivered as shares[2] £000	Number of shares delivered[2]
Murray Hennessy	150	100	50	150	100	50	4,453
Jonathan Milner	70	47	23	70	47	23	1,882
Sue Harris	50	33	17	50	33	17	1,615
Anthony Martin[3]	15	15	—	40	27	13	1,222
Louise Patten	50	33	17	50	33	17	1,626
Michael Ross[3]	14	14	—	35	23	12	1,032
Mara Aspinall	50	33	17	32	21	11	1,048
Total remuneration	399	275	124	427	284	143	12,878

1 The shares will be awarded at the beginning of the first open period following the announcement of the annual results in September 2017.

2 The number of shares delivered was calculated by converting one third of the NEDs' 2015/16 fees into a fixed number of notional shares at £5.95 per share (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 notional shares were valued at the end of the 2015/16 financial year (at the closing price of the day of announcement of the Company's financial results, being £7.91); normal PAYE and NI deducted and the net amount used to purchase the actual shares delivered to each NED.

3 Michael Ross and Anthony Martin stepped down from their roles as NEDs on 31 October 2016. The 2016/17 'Delivered as cash' figures in the table above represent the pro-rated cash element of their fees to their departure date and the cash equivalent of their share entitlement pro-rated to this date converted at the closing share price on 31 October 2016, being £8.71.

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

AUDITED INFORMATION continued
c) Executive Directors' scheme interests awarded during 2016/17

Executive Director	Type of interest awarded	Award basis	Face value of award £000[1,2,3,4]	% vesting at minimum performance requirements	Retention period	Performance period	Date of award	Date of vesting
Alan Hirzel[5]	LTIP	125% of base salary	600	25%	40% on 4 Nov 19 20% on 4 Nov 20 20% on 4 Nov 21 20% on 4 Nov 22	1 Jul 16–30 Jun 19	4 Nov 16	4 Nov 19
Gavin Wood	LTIP	100% of base salary	300	25%	50% on 4 Nov 19 25% on 4 Nov 20 25% on 4 Nov 21	1 Jul 16–30 Jun 19	4 Nov 16	4 Nov 19
Gavin Wood[6]	LTIP	New joiner award	300	49%	n/a	1 Jul 16–30 Jun 19	4 Nov 16	4 Nov 19
Alan Hirzel Gavin Wood Jim Warwick[7]	SIP – free shares	Maximum award as per scheme rules	3 3 3	n/a	n/a	n/a	4 Nov 16	4 Nov 19
Alan Hirzel Gavin Wood	SIP – matching shares	Maximum award as per scheme rules	2 2	n/a	n/a	n/a	4 Nov 16	4 Nov 19
Alan Hirzel Jim Warwick[8]	ABP – deferred share award	Up to 45% of base salary	75 16	n/a	n/a	n/a	26 Oct 16	26 Sep 18

1 The share price used to calculate the face value of the LTIP awards was the closing mid-market price on the day prior to the award date, being 851 pence for the 4 November 2016 awards.

2 The share price used to calculate the face value of the free shares was the closing share price of the date of award, being 841 pence.

3 The share price of the matching shares acquired on 7 December 2016 was 792.25 pence.

4 The share price used to calculate the face value of the deferred share awards was the ten-dealing day average beginning on the day on which the Company announced its financial results, being 816.60 pence.

5 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.

6 As disclosed in the 2016 Annual Report, the Remuneration Committee awarded Gavin Wood a one-off LTIP new joiner award equal to 100% of base salary on his appointment. The Committee believed the award was necessary to secure his appointment from a small pool of talent with the international experience and calibre required for the role and to immediately align his interests with those of our shareholders. Of the award, 75% is subject to the same performance conditions as the 2016/17 LTIP award; the remaining 25% will be released subject to his continued employment on the third anniversary of the date of grant of the award. The share price used to calculate the value of the award was the average share price of the ten dealing days immediately preceding his start date, which was 753.90 pence.

7 Free shares are awarded to all UK employees employed by the Company on the date of award, even if under notice of retirement. Jim Warwick therefore received his full entitlement before his retirement on 31 December 2016.

8 Jim Warwick was awarded 25% of the deferred share award he would have been granted in respect of the 2015/16 plan year to reflect his retirement.

The performance conditions for the 2016 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 2019. In relation to EPS growth, there will be 25% vesting at 8% compound growth and 100% vesting at 12% compound growth, with proportionate straight-line vesting between these two figures. The remaining performance measures are the Group's four KPIs: RabMAb® primaries revenue growth, non-primaries revenue growth, 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.

AUDITED INFORMATION continued

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 scheme plan rules. The Committee's determinations, as previously disclosed in the 2016 Annual Report, and consistent with the Committee's termination policy, are set out below:

Remuneration element	Description
Payment in lieu of notice	Jeff Iliffe worked and was paid for his full notice period, which expired on 13 September 2016. He stepped down from the Board on 12 September 2016. No payment was made 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.
Base salary	No increase to base pay was awarded from 1 July 2015.
Retirement and other benefits	The benefits package was maintained until his date of departure and not beyond.
ABP	Jeff Iliffe received the cash element of his 2015/16 bonus, whilst the deferred share element relating to 2015/16 was not 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 was agreed by the Remuneration Committee that he would receive the cash element of bonus only, at target, and 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 departure date. 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 was made following his resignation on 14 September 2015.

Chief Operating Officer (Jim Warwick)

Jim Warwick retired from the position of Chief Operating Officer on 31 December 2016. The Committee considered the overall circumstances of his departure as an Executive Director, as well as performance, contractual obligations and scheme plan rules. The Committee's determinations, as previously disclosed in the 2016 Annual Report, and consistent with the Committee's termination policy, are set out below:

Remuneration element	Description
Payment in lieu of notice	No payment has been 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 2015.
Retirement and other benefits	The benefits package was maintained until his date of departure and not beyond.
ABP	Jim Warwick received the cash element of his 2015/16 bonus in the normal way and 25% of the deferred share award he would have been granted but for his retirement. For 2016/17, he received a cash bonus of 35% of base salary in recognition of his satisfactory performance in his leadership of the implementation of the ERP system. No deferred share award will be granted 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 was made in the financial year of his retirement.

e) Payments to past Directors

There have been no payments to the former CFO and former COO during the year other than the departure arrangements described above.

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 the shareholding guideline is achieved, an Executive Director is prohibited from selling any shares they have acquired through a Company scheme. They can, however, sell sufficient shares to satisfy any tax liability that may arise on the release or exercise of an award.

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

The extent to which each Executive Director has met the shareholding guideline as at 30 June 2017, or their termination date where earlier, is shown in the table below:

Executive Directors	Shareholding: number of shares[1] and as a percentage of salary[2]	Type	Owned outright	Outstanding scheme interests[3,4,5]: 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	50,310 102%	Shares	50,310	—	—	—	50,310
		CSOP options	—	—	—	—	—
		LTIP 'A' awards[6]	—	—	—	—	—
		LTIP 'B' awards	—	175,076	—	—	175,076
		Deferred awards	—	—	26,106	—	26,106
		SIP free	—	—	1,933	—	1,933
		SIP matching	—	—	1,274	—	1,274
			50,310	**175,076**	**29,313**	**—**	**254,699**
Gavin Wood	11,748 38%	Shares	11,748	—	—	—	11,748
		CSOP options	—	3,525	—	—	3,525
		LTIP 'A' awards[6]	—	3,525	—	—	3,525
		LTIP 'B' awards	—	71,520	—	—	71,520
		Deferred awards	—	—	—	—	—
		SIP free	—	—	428	—	428
		SIP matching	—	—	227	—	227
			11,748	**78,570**	**655**	**—**	**90,973**
Jeff Iliffe	332,973 1,001%	Shares	332,973	—	—	—	332,973
		Unapproved options	—	—	—	170,460	170,460
		CSOP options	—	—	—	—	—
		LTIP 'A' awards[6]	—	—	—	—	—
		LTIP 'B' awards	—	12,199	—	174,363	186,562
		Deferred awards	—	—	6,543	24,715	31,258
		SIP free	—	—	—	—	—
		SIP matching	—	—	—	—	—
			332,973	**12,199**	**6,543**	**369,538**	**721,253**
Jim Warwick	2,885,122 8,344%	Shares	2,885,122	—	—	—	2,885,122
		Unapproved options	—	—	—	—	—
		CSOP options	—	—	—	—	—
		LTIP 'A' awards[6]	—	—	—	—	—
		LTIP 'B' awards	—	75,281	—	139,310	214,591
		Deferred awards	—	—	15,638	25,384	41,022
		SIP free	—	—	—	—	—
		SIP matching	—	—	—	—	—
			2,885,122	**75,281**	**15,638**	**164,694**	**3,140,735**

1 Interests in shares owned outright or held by connected persons as at 30 June 2017 or at their respective termination dates for Jim Warwick and Jeff Iliffe.

2 Based on share price of 973.5 pence and salary at 30 June 2017 for Alan Hirzel and Gavin Wood and on share prices of 767 pence and 797.5 pence respectively for Jim Warwick and Jeff Iliffe, being the share price at their termination date and their salaries at their termination date.

3 Outstanding scheme interests under the LTIP, the SIP and the ABP (deferred share awards) take the form of rights to receive shares (nil-cost share options or conditional share awards). Outstanding Company Share Options Plan (CSOP) and unapproved 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. 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.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

Non-Executive Directors are not eligible to participate in the Company's share schemes. Their shareholdings as at 30 June 2017 were as follows:

	Total shareholding[1]
Murray Hennessy	43,245
Jonathan Milner	21,994,934
Sue Harris	1,615
Louise Patten	38,887
Mara Aspinall	6,118

1 Interests in shares owned outright or held by connected persons as at 30 June 2017.

There have been no changes in the interests of the Executive Directors or the NEDs between 30 June 2017 and the date of approval of the 2016/17 Annual Report and Accounts. With effect from 1 July 2015 it was agreed that the NEDs would receive a portion of their fees as a fixed number of fully paid ordinary shares delivered as soon as practicable in the first open period following the announcement of preliminary results each year.

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	30,000	0.2	808	242,340

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 2016	Awarded[1]	Exercised	Lapsed	**Number of awards at 30 June 2017[2]**	**Number of vested awards at 30 June 2017[3]**
Alan Hirzel	CSOP	464	6,465	—	—	6,465	**—**	**—**
	LTIP 'A'	0.2	6,465	—	—	6,465	**—**	**—**
	LTIP 'B'	0.2	123,210	70,505	—	18,639	**175,076**	**—**
			136,140	70,505	—	31,569	**175,076**	**—**
Jeff Iliffe	CSOP	464	6,465	—	—	6,465	**—**	**—**
	LTIP 'A'	0.2	6,465	—	—	6,465	**—**	**—**
	LTIP 'B'	0.2	226,767	—	—	40,205	**186,562**	**174,363**
			239,697	—	—	53,135	**186,562**	**174,363**
Jim Warwick	CSOP	464	6,465	—	—	6,465	**—**	**—**
	LTIP 'A'	0.2	6,465	—	—	6,465	**—**	**—**
	LTIP 'B'	0.2	265,385	—	30,000	20,794	**214,591**	**139,310**
			278,315	—	30,000	33,724	**214,591**	**139,310**
Gavin Wood	CSOP	851	—	3,525	—	—	**3,525**	**—**
	LTIP 'A'	0.2	—	3,525	—	—	**3,525**	**—**
	LTIP 'B'	0.2	—	71,520	—	—	**71,520**	**—**
			—	78,570	—	—	**78,570**	**—**
Total			654,152	149,075	30,000	118,428	**654,799**	**313,673**

1 The market price at the date of award for all awards made during the year was 851 pence.

2 For Jim Warwick and Jeff Iliffe, these represent the number of awards at their termination date.

3 These relate to the 2008, 2009, 2010 and 2012 awards and are included in the number of awards at 30 June 2017 for Alan Hirzel and Gavin Wood and at their termination dates for Jim Warwick and Jeff Iliffe.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

Annual Bonus Plan deferred share awards

Deferred share awards made under the ABP which remain outstanding at 30 June 2017 are outlined below:

Executive Directors	Nil-cost options or conditional shares held as at 30 June 2016[1]	Nil-cost options or conditional shares awarded during the year ended 30 June 2017[2]	Award date	Market price per share at award	Planned vesting date	Maximum nil-cost options or conditional shares held as at 30 June 2017
Alan Hirzel	27,475	**9,169**	26 Oct 16	816.6 pence	26 Oct 18	**26,106**
Jeff Iliffe[3]	31,258	**—**				**31,258**
Jim Warwick[3]	39,123	**1,899**				**41,022**
Gavin Wood	—	**—**				**—**
	97,856	**11,068**				**98,386**

1 These relate to the awards made in September 2013, November 2014 and October 2015 under the ABP for financial years 2012/13, 2013/14 and 2014/15, respectively. The 2012/13 award vested on 10 September 2015 and the 2013/14 award vested on 23 September 2016, following satisfactory completion of a two-year holding period. The 2014/15 award will vest on 26 October 2017.

2 These relate to the awards made in October 2016 under the ABP for financial year 2015/16. Jim Warwick received 25% of the award he would have received were it not for his retirement.

3 For Jim Warwick and Jeff Iliffe, the figures relate to their holdings as at their respective termination dates.

Share Incentive Plan (SIP)

Abcam operates an HMRC-approved 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 2016/17 was £3,600 each (2015/16: £3,600). Awards take the form of a conditional entitlement to shares and will vest after three years of continuous employment with the Company following the date of award.

Partnership and matching share awards

All UK-based employees are given the opportunity to invest up to the HMRC limit, which in 2016/17 was £1,800 per annum (2015/16: £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 shares are immediately owned outright 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]				Shares owned outright		
Executive Director	Type of award	Number conditionally awarded as at 30 June 2016	Number conditionally awarded during the year	Number transferred to outright ownership during the year	Number conditionally awarded as at 30 June 2017[2]	Number owned outright 30 June 2016	Number purchased/ acquired/ transferred to outright ownership during the year	Number owned outright as at 30 June 2017[2]
Jeff Iliffe	Free	2,094	—	2,094	**—**	7,426	2,094	**9,520**
	Partnership	—	—	—	**—**	4,607	—	**4,607**
	Matching	1,048	—	1,048	**—**	3,559	1,048	**4,607**
	Dividend	—	—	—	**—**	1,589	—	**1,589**
		3,142	—	3,142	**—**	17,181	3,142	**20,323**
Jim Warwick	Free	2,094	428	2,522	**—**	7,426	2,522	**9,948**
	Partnership	—	—	—	**—**	4,607	—	**4,607**
	Matching	1,048	—	1,048	**—**	3,559	1,048	**4,607**
	Dividend	—	—	—	**—**	1,589	171	**1,760**
		3,142	428	3,570	**—**	17,181	3,741	**20,922**
Alan Hirzel	Free	2,094	428	589	**1,933**	—	589	**589**
	Partnership	—	—	—	**—**	1,047	227	**1,274**
	Matching	1,047	227	—	**1,274**	—	—	**—**
	Dividend	—	—	—	**—**	128	56	**184**
		3,141	655	589	**3,207**	1,175	872	**2,047**
Gavin Wood	Free	—	428	—	**428**	—	—	**—**
	Partnership	—	—	—	**—**	—	227	**227**
	Matching	—	227	—	**227**	—	—	**—**
	Dividend	—	—	—	**—**	—	6	**6**
		—	655	—	**655**	—	233	**233**

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

2 For Jim Warwick and Jeff Iliffe, the figures relate to their holdings as at their respective termination dates.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

Share Incentive Plan (SIP) continued

Dividend shares continued

The award/purchase of free, matching and partnership shares in the year took place on 26 October 2016, at a price of 841 pence per share.

The market price of the ordinary shares at 30 June 2017 was 973.5 pence and the range during the year was 721 pence to 995 pence.

Non-executive appointments at other companies

The following Executive Directors served as NEDs elsewhere and received and retained the following fees up to their termination date:

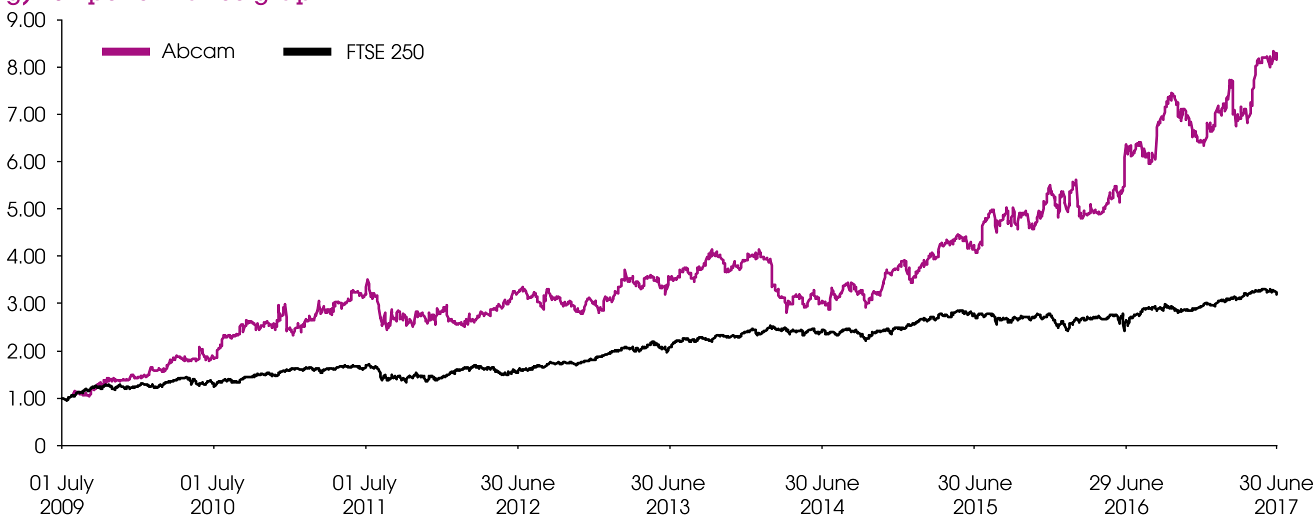
Executive Director	Company	Fees £
Jeff Iliffe	Treatt plc	7,844
Jim Warwick	Quartix Holdings plc	17,500

Jeff Iliffe also served on the board of trustees of a charity and did not receive fees for this appointment. Jim Warwick also served on the board of directors of an academy school and did not receive fees in respect of this position. Neither the CEO, Alan Hirzel, nor the CFO, Gavin Wood, held any non-executive appointments at any other organisations during the year.

UNAUDITED INFORMATION

The Company's Total Shareholder Return (TSR) over the previous eight years compared to a broad equity market is shown in the graph below. The FTSE 250 index has been chosen as the comparator because Abcam would sit within this if it were listed on the Main Market of the London Stock Exchange. 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



CEO remuneration

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

Financial year		CEO single figure for total remuneration £000	Annual bonus awarded against maximum opportunity	Long-term incentive vesting rates against maximum opportunity
2016/17	Alan Hirzel	1,378	78%	71.6%
2015/16	Alan Hirzel	614	52%	n/a[1]
2014/15	Alan Hirzel	685	73.3%	n/a[1]
2013/14	Jonathan Milner	642	56.8%	—
2012/13	Jonathan Milner	821	71.2%	16.9%
2011/12	Jonathan Milner	739	60%	96.3%
2010/11	Jonathan Milner	805	62.7%	100%
2009/10	Jonathan Milner	716	100%	n/a

1 Vesting of long-term incentives is measured over a three-year performance period. For the 2014/15 and 2015/16 years, Alan Hirzel had not been employed by Abcam for more than three years, and therefore no long-term incentives had vested.

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

UNAUDITED INFORMATION continued

h) Percentage change in CEO remuneration

Abcam has an international workforce of around 1,000 employees in eight 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 2016 and 30 June 2017 for the CEO and this comparator group.

	Salary	Taxable benefits[1]	Annual bonus[3]
CEO percentage change	50.0%	45.1%	124.6%
Comparator group percentage change[2]	6.5%	7.7%	1.4%

1 In 2016/17 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 award for the financial year paid in October following the end of the year.

i) Relative importance of spend on pay

The table below shows Abcam's dividend pay-out increased by 14.9% versus the total Group employee pay expenditure increase of 29.3% between the financial years ended 30 June 2016 and 30 June 2017.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m	% increase[3]
Dividend[1]	**20.8**	18.1	14.9%
Total employee pay[2]	**56.5**	43.7	29.3%

1 Dividends are the interim and final dividends paid in respect of the financial year ended 30 June 2016, and the interim dividend paid and the final dividend recommended in respect of the financial year ended 30 June 2017.

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

3 Increase in total employee pay due to an overall increase in headcount in addition to salary increases for existing employees during the year.

j) Implementation of Directors' Remuneration Policy in 2017/18

The following sections outline how the Remuneration Policy will be implemented in 2017/18.

Executive Directors' base salaries

The base salaries of the CEO and CFO were increased to £492,000 and £307,500 respectively with effect from 1 July 2017.

		Salary 2016/17 £000	Change	Salary as at 1 July 2017 £000
Alan Hirzel	CEO	480	2.5%	**492**
Gavin Wood	CFO	300	2.5%	**308**

Annual incentive, deferred bonus and LTIP awards

The overall performance framework for 2017/18 for Executive Directors remains unchanged and is as follows:

	Maximum % of salary	2017/18 measures	Weighting
Annual Bonus Plan	150%, of which 30% of any bonus 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 the CFO	Three-year strategic targets	30%

The strategic targets for the ABP and LTIP awards are measurable, quantifiable and aligned with the Group's KPIs as set out on page 14.

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. Following the review of strategic priorities as set out on pages 12 and 13, we have aligned our strategic targets with them. These targets are considered to be appropriately stretching and incentivising in the context of our business strategy.

UNAUDITED INFORMATION continued

j) Implementation of Directors' Remuneration Policy in 2017/18 continued

Annual incentive, deferred bonus and LTIP awards continued

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

- recombinant antibody revenue growth;
- immunoassay revenue; and
- customer engagement: NPS.

The ABP 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. Appropriate retrospective disclosure of targets will be provided when these are no longer considered commercially sensitive.

Annual incentive, deferred bonus and LTIP awards

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

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 pension-related and other benefits section on page 45.

Non-Executive Directors

During 2015/16 the Company put in place fee arrangements for all NEDs where a portion of their fees would be delivered as a fixed number of fully paid ordinary shares. Louise Patten, Mara Aspinall and Sue Harris will receive an increase in fees to £70,000 per annum (2016/17: £50,000) with effect from 1 July 2017. There will be no increase in fees paid to Murray Hennessy and Jonathan Milner.

k) Remuneration Committee

The Committee advises the Board on overall Remuneration Policy on behalf of the Board, and with the benefit of advice from external consultants and the SVP, Human Resources, it also determines the remuneration of the Executive Directors and proposes a fee for the Chairman of the Board of Directors (with the Chairman not being present for any discussions on his fee). The remuneration of the NEDs is determined by the Chairman and the Executive 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 long-term shareholder value and a secure future for all stakeholders.

The Committee currently comprises four NEDs, each of whom the Company deems to be independent: Louise Patten (Chairman), Murray Hennessy, Sue Harris and Mara Aspinall. Murray Hennessy is considered by the Company to be independent as he was independent on his appointment as Chairman.

The Company Secretary and the SVP, Human Resources, attend the Committee meetings by invitation and assist the Committee in the 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.

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 four 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 six times during the year. Details of attendance can be found in the Corporate Governance Report (see page 33).

Remuneration report continued

Part 3 – Annual Report on Remuneration continued

UNAUDITED INFORMATION continued

k) Remuneration Committee continued

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 Directors' remuneration reporting regulations, shareholder communication and other governance matters.	Advice on risk management.	£21,330

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.

Statement of voting at general meeting

The table below shows the advisory vote on the 2015/16 Remuneration Report at the 2016 AGM and the advisory vote on the Directors' Remuneration Policy at the 2015 AGM. The shareholder support we received for last year's Annual Remuneration Report was lower than we have seen in previous years. The main concern for shareholders was the salary increase we made for the CEO. The Remuneration Committee unanimously agreed that it was in the best interests of the Company to make a one-off 'step-change' adjustment to bring his salary in line with the market, reflecting the value of his role.

	Votes for		Votes against			
	Number	%	Number	%	Votes total	Votes withheld
Remuneration Report	106,188,576	73.47	38,342,353	26.53	144,530,929	7,943,095
2015 Remuneration Policy	140,865,445	91.46	13,160,891	8.54	154,026,336	691,369

Approval

Approved by the Board and signed on its behalf by:

Louise Patten
Remuneration Committee Chairman
8 September 2017

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2017.

Pages 1 to 57 inclusive (together with sections of the Annual Report incorporated by reference) consist of a Strategic Report and a Directors' Report that have been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

Additional information incorporated by reference into this Directors' Report, including disclosures required under 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), can be located as follows:

Disclosure	Location
Likely future developments	Throughout the Strategic Report on pages 1 to 27
Research and development activities	Business Model on page 6 and Our Financials on page 22 to 27
Financial risk management objectives and policies (including hedging policies and the Group's exposure to financial risks)	Note 24 to the financial statements on pages 87 to 91
Statement on corporate governance	Corporate Governance Report on pages 29 to 36
Employee involvement	Our People on pages 20 and 21

Post-balance sheet events

There have been no important events affecting the Company or the Group since the year end.

Dividends

The Directors recommend a final dividend of 7.355 pence (2015/16: 6.556 pence) per ordinary share to be paid on 8 December 2017 to shareholders on the register on 17 November 2017. The associated ex-dividend date will be 16 November 2017. Together with the interim dividend of 2.825 pence per share paid on 13 April 2017, this brings the total dividend for the financial year ended 30 June 2017 to 10.18 pence per share (2015/16: 8.91 pence), representing an increase of 14.3% 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.

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 22 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 25 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 takeover 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

Details of the interests in voting rights in the Company's shares notified to the Company in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules (excluding Directors' interests, which are set out on page 49) are set out below:

	At 30 June 2017		At 7 September 2017	
Fund Manager	Number of ordinary shares held	Percentage of issued share capital	Number of ordinary shares held	Percentage of issued share capital
T. Rowe Price Group	17,385,932	8.50%	17,385,932	8.50%
Baillie Gifford & Co Ltd	15,067,537	7.37%	15,067,537	7.37%
Select Equity Group Inc	12,725,812	6.22%	9,693,955	4.74%
Wasatch Advisors Inc	11,666,484	5.71%	11,666,484	5.71%
OppenheimerFunds Inc	7,696,950	3.76%	7,696,950	3.76%
Harding Loevner LLC	7,227,282	3.53%	7,227,282	3.53%

Directors' report continued

Purchase of own shares

At the end of the year, the Directors had authority, under a resolution passed at the Company's AGM on 2 November 2016, to purchase through the market 20,280,000 of the Company's ordinary shares, subject to the conditions set out in that resolution. No shares were purchased under this authority during the year under review.

Directors

Brief biographical descriptions of the current Directors of the Company, all of whom were in office during the year and up to the date of signing the financial statements, are set out on pages 30 and 31. 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. The names of previous Directors of the Company who resigned from the Board during the year are set out in the Board and Committee meeting attendance table on page 33.

The powers of the Directors are determined by UK legislation and the Company's Articles of Association, together with any specific authorities that may be given to the Directors by shareholders from time to time (for example the authority to allot or purchase shares in the Company).

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 therefore all Directors shall retire and stand for re-election at the AGM to be held on 14 November 2017.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. The Articles of Association may be amended only by special resolution at a general meeting of shareholders.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors 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.

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 above.

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.

Annual General Meeting

The AGM will be held at 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK on 14 November 2017 at 2.00pm. 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 publish the results of the votes on its 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 0FL, 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 2017, 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 European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the 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 for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, 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 Group and 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.

Statement of Directors' responsibilities continued

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 Group and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the biographies on pages 30 and 31, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report on pages 55 to 57, together with the Our Financials and Our Risks sections on pages 22 to 27 and pages 15 to 19 respectively 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.

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 Group and 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 Group and 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
8 September 2017

Financial statements

Independent auditors' report
to the members of Abcam plc

Report on the audit of the financial statements

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 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2017 (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 30 June 2017, the consolidated income statement and the consolidated statement of comprehensive income for the year then ended, the consolidated cash flow statement for the year then ended, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• £2,594,000 (2016: £2,270,000) – Group financial statements. • Based on 5% of profit before tax. • £2,377,000 (2016: £2,103,000) – Company financial statements. • Based on 5% of profit before tax.
Audit scope	• We conducted audits of the complete financial information of Abcam plc, Abcam Inc and Abcam Trading (Shanghai) Co., Limited. • We performed specified procedures over certain account balances and transaction classes at other Group companies, including another Chinese operation. • With the exception of the audit of Abcam Trading (Shanghai) Co., Limited and certain specified procedures performed over another Chinese operation, which were performed by the component auditor, the Group engagement team performed all of the audit procedures. • Taken together, the Group companies over which we performed our audit procedures accounted for 86% 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 85% of revenue.
Key audit matters	• Inventory provisioning (Group and Company). • Costing of inventory manufactured in house and hybridomas included within property, plant and equipment (Group and Company). • Classification of costs associated with systems and process improvements (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report continued
to the members of Abcam plc

Report on the audit of the financial statements continued
Our audit approach continued
Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning – Group and Company The Group and the Company had inventory of £21,761,000 and £15,286,000 respectively as at 30 June 2017. 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 and the Company often produce surplus inventories that are at risk of expiring before a sale can be achieved (see note 4 and page 39 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 and the Company's inventory provisions 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 historical 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.
Costing of inventory manufactured in house and hybridomas included within property, plant and equipment – Group and Company The Group and the Company capitalise 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, £3,595,000 was capitalised by the Group and £3,785,000 was capitalised by the Company as part of the total additions to hybridomas and assays and hybridomas under construction (see note 4 and page 39 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. For labour costs, we agreed, on a sample basis, the timesheet records used to allocate labour costs to the underlying records. We found no material exceptions in our testing. For inventory manufactured in house and hybridomas, we agreed, on a sample basis, the quality test results to underlying records. 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.

Key audit matter	How our audit addressed the key audit matter
Classification of costs associated with systems and process improvements – Group and Company During the year the Group and the Company capitalised costs of £11,202,000 and £11,131,000 respectively in relation to the systems and process improvements project. Further amounts in relation to systems and process improvements have been expensed to the consolidated income statement and, to the extent this is incremental, included in the reconciliation of the adjusted income measures within the "Our financials" section (see note 4 and page 39 of the Audit and Risk Committee Report). The Directors have assessed whether the costs incurred in relation to the implementation of the Group's and the Company's systems and improvements project meet the criteria for capitalisation and, if not, whether the costs were incremental to the ongoing costs of the Group. The adjusted consolidated profit before tax, which is considered by management to be a key metric and is discussed in the "Our financials" section, is directly impacted by the amount of costs capitalised and the amounts included in the reconciliation of the adjusted income measures. We focused on whether the costs capitalised met the criteria for capitalisation and whether, for those costs classified as systems and process improvements costs on the face of the consolidated income statement, they were indeed incremental.	We vouched a sample of the costs capitalised in relation to the system and improvements project 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 consolidated income statement and included within the reconciliation of adjusted income 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.

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 17 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Abcam plc, Abcam Inc, and Abcam Trading (Shanghai) Co., Limited reporting units, which were individually financially significant and accounted for 83% of the Group's revenue and 80% 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, one based in China, one in the UK, one in Japan and another in the US.

The Group engagement team performed all audit procedures, with the exception of the audit of Abcam Trading (Shanghai) Co., Limited and certain specified procedures performed over another Chinese operation which were performed by a component auditor in China.

Our involvement in the work of the component auditor in China included regular communication with a formal meeting arranged following the performance of the procedures. In addition, a member of the Group engagement team met with the component auditor in China and conducted a review of the working papers.

Taken together the Group companies over which we performed our audit procedures accounted for 86% of the absolute profit before tax and 85% 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 in aggregate on the financial statements as a whole.

Independent auditors' report continued
to the members of Abcam plc

Report on the audit of the financial statements continued
Our audit approach continued
Materiality continued

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

	Group financial statements	Company financial statements
Overall Group materiality	£2,594,000 (2016: £2,270,000).	£2,377,000 (2016: £2,103,000).
How we determined it	5% of profit before tax.	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 believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £965,000 and £2,464,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £130,000 (Group audit) (2016: £114,000) and £119,000 (Company audit) (2016: £105,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report and Accounts 2017 other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Reporting on other information continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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 UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 15 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 16 of the Annual Report 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 to report in respect of this responsibility.

Other Code Provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 57, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 37 to 39 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 nothing to report in respect of this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on pages 56 and 57, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report continued

to the members of Abcam plc

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Other voluntary reporting

Going concern

The directors have requested that we review the statement on page 56 in relation to going concern as if the Company were a premium listed Company. We have nothing to report having performed our review.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

The directors have requested that we perform a review of the directors' statements on pages 15 and 16 that they have carried out a robust assessment of the principal risks facing the Group and in relation to the longer-term viability of the Group, 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 and understanding of the Group and Company and their environment obtained in the course of the audit. We have nothing to report having performed this review.

Other Code provisions

The directors have prepared a corporate governance statement and requested that we review it as though the Company were a premium listed Company. We have nothing to report in respect of the requirement for the auditors of premium listed companies to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors 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 CA06.

Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
8 September 2017

Consolidated income statement
For the year ended 30 June 2017

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

Consolidated statement of comprehensive income
For the year ended 30 June 2017

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

Consolidated balance sheet
As at 30 June 2017

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

The financial statements on pages 65 to 96 of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 8 September 2017.

They were signed on its behalf by:

Gavin Wood
Director
8 September 2017

Consolidated statement of changes in equity

For the year ended 30 June 2017

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

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

2 Gains and losses recognised on cash flow hedges.

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

Consolidated cash flow statement

For the year ended 30 June 2017

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

Cash and term deposits at end of year comprise:

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

Notes to the financial statements
For the year ended 30 June 2017

1. Presentation of the financial statements

a. General information

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

The Company and its subsidiaries (together the Group) produce and distribute high quality research-grade antibodies and associated protein research tools. The Group operates through its ultimate parent company Abcam plc and through a channel of wholly owned manufacturing and distribution subsidiaries mainly based in the US and Asia Pacific, which allows it to serve a global customer base of over 100 countries. A list of all subsidiaries is contained in note 7 of the Company financial statements.

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 as 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 2016 except where disclosed otherwise in this note.

c. Provision for bad or doubtful debts

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

d. Presentation of goods-in processing costs

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

e. Going concern

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

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

2. Changes in accounting policies and disclosures

New standards, amendments and interpretations adopted by the Group

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

IAS 19 *Employee benefits* (Amendment)

IAS 38 *Intangible Assets* (Amendment)

Notes to the financial statements continued

For the year ended 30 June 2017

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

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

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

2. Changes in accounting policy and disclosures continued

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

IFRS 16 Leases

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

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

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

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

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

The standard has not yet been endorsed by the EU.

3. Significant accounting policies

Consolidation

The consolidated 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 *Business Combinations* (2008) are measured at their fair values at the date of acquisition, except that:

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

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

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

Revenue and income recognition

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

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

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

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

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

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

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

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

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

Leasing

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

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

Foreign currencies

For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Company and the reporting currency for the consolidated 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 reserves rather than the income statement.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the 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 other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

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

Property, plant and equipment

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

3. Significant accounting policies continued

Intangible assets

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

Inventories

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

Financial instruments

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

Available-for-sale financial assets

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

Trade and other receivables

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

Cash and cash equivalents

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

Term deposits

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

3. Significant accounting policies continued

Financial liabilities and equity instruments

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

Trade payables

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

Equity instruments

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

Derivative financial instruments

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

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

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

Hedge accounting

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

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

Share-based payments

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

3. Significant accounting policies continued

Share-based payments continued

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

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

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

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

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

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

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

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

Own shares

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's 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. Risks and uncertainties

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported in the 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

Capitalisation of intangible assets

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

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

Valuation of own manufactured inventory

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

4. Risks and uncertainties continued

b. Key sources of estimation uncertainty

Goodwill and other intangible asset impairment

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

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

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

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

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

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

Provision for slow-moving or defective inventory

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

If actual unit sales growth rates differ from those estimated by management, both the level of provision against existing inventory and the rates of provision applied to inventory in future periods would need to be revised.

Provision for bad or doubtful debts

The Group has a significant trade receivable balance from a large number of customers at any given point in time. Consequently estimating the required provision for such a debtor book requires a regular review to identify those customers where events (either historical or current) give management an indication that future collectability may be uncertain.

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

Taxation

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

5. Operating segments

Products and services from which reportable segments derive their revenues

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

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

Geographical information

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

	Revenue		Non-current assets	
	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000	**As at 30 June 2017 £000**	As at 30 June 2016 £000
US	**91,780**	76,817	**172,272**	171,228
China	**26,678**	18,844	**3,702**	3,912
Japan	**18,162**	12,321	**61**	57
UK	**12,660**	11,213	**35,315**	25,049
Germany	**12,400**	9,294	**—**	—
Other countries	**55,418**	43,184	**70**	47
	217,098	171,673	**211,420**	200,293

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

Revenue by type is shown below:

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

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

6. Profit for the year

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

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

7. Auditors' remuneration

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

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

1 This relates to the interim review.

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

Details of the Group's policy on the use of the auditors' for non-audit services are set out in the Audit and Risk Committee Report on page 38. No services were provided pursuant to contingent fee arrangements.

8. Employees and remuneration

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

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

Their aggregate remuneration comprised:

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

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

The remuneration of the Directors, and related share option grants, are set out in the Remuneration Report on pages 41 to 54.

9. Finance income and costs

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

Notes to the financial statements continued

For the year ended 30 June 2017

10. Taxation

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

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

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

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

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

	Year ended 30 June 2017 £000	Year ended 30 June 2017 %	Year ended 30 June 2016 £000	Year ended 30 June 2016 %
Profit before tax	**51,874**		45,412	
Tax at the UK corporation tax rate of 19.75% (2016: 20.0%)	**10,245**	**19.8**	9,082	20.0
Adjusted in respect of foreign tax rates	**945**	**1.8**	1,618	3.6
Tax effect of expenses that are not deductible in determining taxable profit	**1,307**	**2.5**	697	1.5
Additional relief in relation to overseas entities	**(1,391)**	**(2.6)**	(1,390)	(3.1)
R&D tax credit uplift	**(344)**	**(0.7)**	(416)	(0.9)
Recognition of deferred tax previously unrecognised[2]	**(960)**	**(1.9)**	(204)	(0.4)
Adjustments in respect of prior years[1]	**(290)**	**(0.6)**	(1,666)	(3.7)
Effect of difference between closing deferred tax rate and current tax rate	**5**	**0.0**	262	0.6
Tax expense and effective rate for the year	**9,517**	**18.3**	7,983	17.6

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

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

11. Earnings per share

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

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

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

11. Earnings per share continued

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

Adjusted earnings per share

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

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

The adjusted EPS information is provided to allow a clear method for year-on-year comparison. The denominators used are the same as those detailed above for both basic and diluted earnings per share. A reconciliation from profit after tax to adjusted profit after tax is provided within the strategic report, on page 26.

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

12. Goodwill

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

13. Intangible assets

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

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

Material intangible assets

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

Contract-based intangibles relates to:

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

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

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

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

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

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

14. Property, plant and equipment

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

15. Deferred tax assets and liabilities

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

15. Deferred tax assets and liabilities continued

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

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

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

16. Inventories

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

17. Financial assets

Trade and other receivables

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

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

Trade receivables

Ageing of trade receivables:

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

Movement in the allowance for doubtful debts

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

17. Financial assets continued

Trade receivables continued

Movement in the allowance for doubtful debts continued

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

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

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

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

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

18. Available-for-sale financial asset

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

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

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

19. Derivative financial instruments

30 June 2017

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

30 June 2016

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

20. Trade and other payables

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

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

21. Commitments

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

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

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

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

22. Capital and reserves

Share capital

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

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

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

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

Share premium

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

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

22. Capital and reserves continued

Own shares

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

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

Reserves

Translation reserve

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

Share-based payment reserve and tax reserve

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

Hedging reserve

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

Merger reserve

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

23. Dividends

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

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

24. Financial instruments

Capital risk management

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

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

24. Financial instruments continued

Foreign currency risk

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

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

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

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

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

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

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

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

Currency risk sensitivity analysis

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

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

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

24. Financial instruments continued

Currency risk sensitivity analysis continued

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

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

Liquidity risk

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

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

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

24. Financial instruments continued

Credit risk continued

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

Interest rate risk

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

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

Financial instruments

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

Significant accounting policies

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

Categories of financial instruments for items held at amortised cost

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

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

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

Financial instruments held at fair value

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

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

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

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

24. Financial instruments continued

Financial instruments held at fair value continued

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

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

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

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

1 Consists of a £9.8m cash settlement and a £6.5m equity settlement.

Changes between classifications

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

25. Share-based payments

Equity-settled share option scheme

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

25. Share-based payments continued

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

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

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

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

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

Option fair values

The Abcam 2005 Share Option Scheme and Abcam CSOP

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

The Abcam 2005 Share Option Scheme

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

25. Share-based payments continued

Option fair values continued

The Abcam CSOP

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

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

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

Share Incentive Plan

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

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

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

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

Long Term Incentive Plan

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

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

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

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

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

25. Share-based payments continued

Option fair values continued

Long Term Incentive Plan continued

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

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

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

Annual Bonus Plan – deferred share award

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

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

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

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

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

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

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

Non-Executive Directors – share award

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

Further details are included in the Remuneration Report on page 45.

Cash-settled share option scheme

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

26. Retirement benefit schemes

Defined contribution schemes

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

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

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

27. Business combinations

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

Details of acquisition in the year ended 30 June 2016

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

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

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

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2017

27. Business combinations continued

Details of acquisition in the year ended 30 June 2016 continued

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

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

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

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

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

28. Related party transactions

Remuneration of key management personnel

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

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

The Non-Executive Directors' fees for the year ended 30 June 2017 represent amounts received in cash and an element receivable in shares. Further information about the remuneration of individual Directors is provided in the audited section of the Remuneration Report on pages 41 to 54.

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

Directors' transactions

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

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

Company balance sheet

As at 30 June 2017

	Notes	30 June 2017 £000	30 June 2016 £000
Non-current assets			
Goodwill	4	**7,658**	7,658
Intangible assets	5	**15,949**	8,604
Property, plant and equipment	6	**11,753**	8,866
Investments	7	**137,150**	93,961
Deferred tax asset	8	**1,805**	4,192
Loan receivable	9	**51,981**	82,065
Derivative financial instruments	10	**193**	—
		226,489	205,346
Current assets			
Inventories	11	**15,286**	13,532
Trade and other receivables	12	**34,050**	37,295
Derivative financial instruments	10	**1,327**	11
Term deposits		**—**	1,000
Cash and cash equivalents		**72,712**	60,953
		123,375	112,791
Total assets		**349,864**	318,137
Current liabilities			
Trade and other payables	13	**(38,730)**	(38,486)
Current tax liabilities		**(1,500)**	(498)
Derivative financial instruments	10	**(2,090)**	(9,267)
Borrowings with group companies		**(6,842)**	(6,801)
		(49,162)	(55,052)
Net current assets		**74,213**	57,739
Total assets less current liabilities		**300,864**	263,085
Non-current liabilities			
Deferred tax liability	8	**(204)**	(119)
Derivative financial instruments	10	**(99)**	(1,231)
		(303)	(1,350)
Total liabilities		**(49,465)**	(56,402)
Net assets		**300,399**	261,735
Equity			
Share capital	14	**409**	405
Share premium account	14	**23,910**	21,549
Merger reserve	14	**68,073**	61,560
Own shares	14	**(3,626)**	(3,231)
Hedging reserve	14	**(43)**	(7,066)
Retained earnings	14	**211,676**	188,518
Total shareholders' funds		**300,399**	261,735

The Company reported a profit for the financial year ended 30 June 2017 of £39,508,000 (2016: £45,901,000).

The Company financial statements on pages 97 to 106 of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 8 September 2017.

They were signed on its behalf by:

Gavin Wood
Director
8 September 2017

Company statement of changes in equity

For the year ended 30 June 2017

	Called up share capital £000	Share premium account £000	Merger reserve £000	Own shares £000	Hedging reserve[1] £000	Retained earnings[2] £000	Total shareholders' funds £000
Balance as at 1 July 2015	402	19,522	56,513	(2,812)	1,758	156,337	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, net of tax	—	—	—	—	—	2,624	2,624
Payment of dividends	—	—	—	—	—	(16,740)	(16,740)
Transactions with owners recognised directly in equity	3	2,027	5,047	(419)	—	(13,720)	(7,062)
Balance as at 30 June 2016 and at 1 July 2016	405	21,549	61,560	(3,231)	(7,066)	188,518	261,735
Profit for the year	—	—	—	—	—	39,508	39,508
Other comprehensive income:							
Movements on cash flow hedges	—	—	—	—	8,569	—	8,569
Tax relating to components of other comprehensive income	—	—	—	—	(1,546)	—	(1,546)
	—	—	—	—	7,023	—	7,023
Total comprehensive income	—	—	—	—	7,023	39,508	46,531
Issue of share capital	4	2,361	6,513	(921)	—	—	7,957
Own shares disposed of on exercise of share options	—	—	—	526	—	(526)	—
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	—	—	872	872
Credit to equity for share-based payments, net of tax	—	—	—	—	—	2,478	2,478
Payment of dividends	—	—	—	—	—	(19,070)	(19,070)
Purchase of own shares	—	—	—	—	—	(104)	(104)
Transactions with owners recognised directly in equity	4	2,361	6,513	(395)	—	(16,350)	(7,867)
Balance as at 30 June 2017	**409**	**23,910**	**68,073**	**(3,626)**	**(43)**	**211,676**	**300,399**

1 Gains and losses recognised on cash flow hedges.

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

Notes to the Company financial statements

For the year ended 30 June 2017

1. Significant accounting policies

The separate financial statements of the Company, which are prepared on the historical cost convention (as modified to include revaluation of certain financial instruments) and on the going concern basis, are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS) 100 *Application of Financial Reporting Requirements* issued by the Financial Reporting Council (FRC). Accordingly in the year ended 30 June 2017, the Company has decided to adopt FRS 101 *Reduced Disclosure Framework* and has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the FRC. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101, incorporating the amendments to FRS 101 issued by the FRC in July 2015 and July 2016. This transition is not considered to have had a material effect on the financial statements.

The Company is included in the Group financial statements of Abcam plc, presented on pages 65 to 96.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*.
- IFRS 7 *Financial Instruments: Disclosures*.
- Paragraphs 91–99 of IFRS 13 *Fair Value Measurement*.
- Paragraph 38 of IAS 1 *Presentation of Financial Statements* and comparative information requirements in respect of paragraph 79(a) (iv) of IAS 1.
- Paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and 118(e) of IAS 36 *Impairment of Assets*.
- Paragraphs 10(d), 10(f), 16, 38(a), 38(b to d), 40(a to d), 111, and 134 to 136 of IAS 1.
- IAS 7 *Statement of Cash Flows*.
- Paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- Paragraph 17 of IAS 24 *Related Party Disclosures* and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a group.

The basis for all of the above exemptions is because equivalent disclosures are included in the Group financial statements in which the entity is consolidated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006 except for the departure from the Companies Act explained in note 4.

The financial information has been prepared on the going concern and historical cost basis. The principal accounting policies adopted are the same as those set out in note 4 (paragraph a) of the Group financial statements, except in respect of investments in subsidiaries, which are stated at cost less, where appropriate, provisions for impairment. All accounting policies have been applied consistently.

Critical accounting judgements

The preparation of Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgements have been set out in note 4 of the Group financial statements. These judgements have been applied consistently within the Company financial statements.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of comprehensive income for the year. The profit attributable to the Company amounted to £39,508,000 (2016: £45,901,000). The auditor's remuneration is disclosed in note 7 of the Group financial statements.

Notes to the Company financial statements continued

For the year ended 30 June 2017

3. Employees and remuneration

Details of Directors' remuneration, share-based payments and pension entitlements in the Remuneration Report on pages 41 to 54 form part of these Company financial statements. Information on the main employee share-based payments is given in note 25 to the Group financial statements. Details of the key management personnel are given in note 28 of the Group financial statements.

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

	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
Management, administrative, marketing and distribution	405	333
Laboratory	76	74
	481	407

Their aggregate remuneration comprised:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Wages and salaries	23,108	18,381
Social security costs	2,154	2,057
Other pension costs	1,014	1,538
Charge in respect of share options and awards granted	2,619	1,292
Total staff costs	28,895	23,268
Capitalised employee costs	(3,870)	(2,162)
Net staff costs	25,025	21,106

4. Goodwill

	£000
Cost	
At 1 July 2016 and 30 June 2017	7,658
Accumulated impairment losses	
At 1 July 2016 and 30 June 2017	—
Carrying amount	
At 30 June 2016	7,658
At 30 June 2017	7,658

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure from the Companies Act 2006, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

It is not possible to quantify the effect of the departure from the Companies Act 2006, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £0.4 million (2016: £0.4 million) against operating profit, and a reduction of £0.8 million (2016: £0.4 million) in the carrying value of goodwill in the balance sheet.

Goodwill impairment review

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 a 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.

5. Intangible assets

	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 2016	527	1,957	11,078	4,303	190	412	18,467
Additions	1	1	2,496	8,685	—	—	11,183
Disposals in year	—	(414)	—	—	—	—	(414)
Transfers	—	—	736	(736)	—	—	—
At 30 June 2017	**528**	**1,544**	**14,310**	**12,252**	**190**	**412**	**29,236**
Accumulated amortisation and impairment							
At 1 July 2016	525	1,758	7,167	—	60	353	9,863
Charge for the year	3	95	3,621	—	60	59	3,838
Disposals in year	—	(414)	—	—	—	—	(414)
At 30 June 2017	**528**	**1,439**	**10,788**	**—**	**120**	**412**	**13,287**
Carrying amount							
At 30 June 2016	2	199	3,911	4,303	130	59	8,604
At 30 June 2017	**—**	**105**	**3,522**	**12,252**	**70**	**—**	**15,949**

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

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 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 two months.

Patents, technology and know-how relates to acquired technology as part of the Company's acquisitions. These are included in note 13 of the Group financial statements. 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 were assessed during the original acquisition of Ascent by the Group. This has been fully amortised in the year.

6. Property, plant and equipment

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Leasehold improvements under construction £000	Hybridomas and assays £000	Hybridomas under construction £000	Motor vehicles £000	Total £000
Cost								
At 1 July 2016	2,302	6,590	4,158	—	6,548	1,138	6	20,742
Additions	242	358	53	1,066	1,496	2,289	—	5,504
Transfer to asset in use	—	—	—	—	1,909	(1,909)	—	—
Reclassification	—	—	(577)	577	—	—	—	—
Disposals	—	(14)	(6)	—	—	—	—	(20)
At 30 June 2017	**2,544**	**6,934**	**3,628**	**1,643**	**9,953**	**1,518**	**6**	**26,226**
Accumulated depreciation								
At 1 July 2016	1,554	5,233	3,017	—	2,067	—	5	11,876
Charge for the year	580	495	263	—	1,276	—	1	2,615
Disposals	—	(12)	(6)	—	—	—	—	(18)
At 30 June 2017	**2,134**	**5,716**	**3,274**	**—**	**3,343**	**—**	**6**	**14,473**
Carrying amount								
At 30 June 2016	748	1,357	1,141	—	4,481	1,138	1	8,866
At 30 June 2017	**410**	**1,218**	**354**	**1,643**	**6,610**	**1,518**	**—**	**11,753**

Notes to the Company financial statements continued

For the year ended 30 June 2017

7. Investments

	Share in Group undertakings £000
At 1 July 2016	93,961
Capital contribution[1]	7,387
Purchase of shares in subsidiary undertakings	153
Capitalisation of borrowing costs[2]	35,649
At 30 June 2017	**137,150**

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

2 Increasing the investment value within Abcam US Group Holdings Inc through the capitalisation of debt funding provided by Abcam plc (see note 9).

Subsidiary undertakings

Directly held

	Registered office	Principal activity	Class	% of shares held
Abcam Australia Pty Limited	Level 16, 414 La Trobe Street, Melbourne, VIC 3000, Australia	Sales and distribution	Ordinary	100
Abcam KK	Sumitomo Fudousan, Ningyocho Bldg 2F, 2-2-1 Nihonbashi Horidomecho Chuo-ku Tokyo 103-0012 Japan	Sales and distribution	Ordinary	100
Abcam (Hong Kong) Limited	Unit 712, 7th Floor, Lakeside 1, No. 8 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong	Sales and distribution	Ordinary	100
Abcam Taiwan Company Limited	7F. No 420 Fuxing N. Rd, Zhongshan District, Taipei City 10476, Taiwan, Republic of China	Sales and distribution	Ordinary	100
Abcam US Group Holdings Inc	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808, USA	Financing and investing	Ordinary	100
Ascent Scientific Limited	330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, United Kingdom	Dormant	Ordinary	100
Abcam Singapore Pte. Limited	77 Robinson Road, #13-00 Robinson 77, Singapore, 068896	Sales and distribution	Ordinary	100
The Abcam Employee Share Benefit Trust Limited	330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, United Kingdom	Employee benefit trust	Ordinary	100

Indirectly held

	Registered office	Principal activity	Class	% of shares held
Abcam Inc	1 Kendall Square, Suite B2304, Cambridge, MA, 02139-1517, USA	Sales and distribution	Ordinary	100
Abcam LLC	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808, USA	Holding company	Ordinary	100
AxioMx Inc	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808, USA	R&D and manufacturing	Ordinary	100
Epitomics Inc	National Registered Agents Inc, 160 Greentree DR Ste 101 Dover, Kent, DE 19904, USA	R&D and manufacturing	Ordinary	100
Epitomics (Hangzhou) Biotechnology Co., Limited	1418 Moganshan Road, Hangzhou Zhejiang, China, 310011	R&D and manufacturing	Ordinary	100
Firefly BioWorks Inc	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801, USA	R&D and manufacturing	Ordinary	100
MitoSciences Inc	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801, USA	R&D and manufacturing	Ordinary	100
Abcam Epitomics Holdings, Inc	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808, USA	Holding company	Ordinary	100
Abcam Trading (Shanghai) Co., Limited	Room 5401, Floor 4, Building 5, No. 338 Galileo Road, Pudong New Area, Shanghai, China	Sales and distribution	Ordinary	100
Abcam (US) Limited	330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, United Kingdom	Financing and investing	Ordinary	100

8. Deferred tax assets and liabilities

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

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payment £000	Acquired intangible assets £000	Other temporary differences £000	Total £000
At 1 July 2016	(464)	1,890	2,601	(119)	165	4,073
Credit/(charge) to income	260	(231)	—	119	(137)	11
Credit to equity	—	(1,546)	(937)	—	—	(2,483)
At 30 June 2017	**(204)**	**113**	**1,664**	**—**	**28**	**1,601**

The Company's deferred tax assets and liabilities are calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

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

	30 June 2017 £000	30 June 2016 £000
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**1,651**	2,524
Deferred tax assets to be recovered within 12 months	**154**	1,668
	1,805	4,192
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**—**	—
Deferred tax liabilities to be recovered within 12 months	**(204)**	(119)
	(204)	(119)
Deferred tax assets (net)	**1,601**	4,073

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries where the Company is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Directors believe that all dividends to be paid by the Company's subsidiaries will meet the UK tax legislation amendment largely exempting dividends from the UK if received on or after 1 July 2009.

9. Loan receivable

	30 June 2017 £000	30 June 2016 £000
Amount owed by subsidiary undertakings	**51,981**	82,065

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 2017 £000**	30 June 2016 £000
Term loan 1	Abcam US Group Holdings Inc	33,000	20 December 2019	7.34%	**25,404**	24,686
Term loan 2	Abcam US Group Holdings Inc	34,000	20 December 2019	8.69%	**26,174**	25,434
Term loan 3	Abcam US Group Holdings Inc	28,153	1 October 2020	3.50%	**—**	21,060
Term loan 4	Abcam US Group Holdings Inc	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	**403**	498
					51,981	82,065

All the loans are unsecured. Term loans 3 and 4 have been capitalised at their year-end value of £35,649,000 (see note 7) and term loan 5 has been fully settled. Any other changes in the book values of each loan are attributable to foreign exchange movements, and intergroup settlements.

Other loans represent the start-up funding for new entities within the Company from prior year. As at 30 June 2017, amounts consisted of funding to MitoSciences Inc., Abcam Singapore Pte Limited and Abcam Australia Pty Limited.

Notes to the Company financial statements continued

For the year ended 30 June 2017

10. Derivative financial instruments

The fair value of derivative financial instruments has been disclosed in the Company's balance sheet as:

	2017			2016		
	Due within one year £000	Due after more than one year £000	Total £000	Due within one year £000	Due after more than one year £000	Total £000
Derivative financial assets	1,327	193	1,520	11	—	11
Derivative financial liabilities	(2,090)	(99)	(2,189)	(9,267)	(1,231)	(10,498)

11. Inventories

	30 June 2017 £000	30 June 2016 £000
Raw materials	291	557
Work in progress	188	413
Finished goods	14,807	12,562
	15,286	13,532

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £180,000 (2016: £328,000) and are reflected in the Group profit and loss account.

12. Trade and other receivables

	30 June 2017 £000	30 June 2016 £000
Amounts receivable for the sale of goods and services	6,759	5,027
Allowance for doubtful debts	(4)	(104)
	6,755	4,923
Amounts owed by subsidiary undertakings	19,064	27,824
Other receivables[1]	6,865	3,295
Prepayments	1,366	1,253
	34,050	37,295

1 Included within other receivables is £6,075,000 (2016: £650,000) held in an escrow account. This forms a deposit for work to be performed by contractors in the construction of the Group's new global headquarters at the Cambridge Biomedical campus.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. A measurement change correlating to the allowance for doubtful debts has been identified and discussed in note 17 of the Group financial statements.

13. Trade and other payables

	30 June 2017 £000	30 June 2016 £000
Amounts falling due within one year		
Trade payables	6,100	4,190
Amounts owed to subsidiary undertakings	13,931	21,495
Accruals	17,506	10,597
Other taxes and social security	1,183	667
Other payables	10	1,537
	38,730	38,486

All amounts payable to Group undertakings are unsecured, interest free and repayable on demand.

14. Capital and reserves

Called up share capital

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

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

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

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

14. Capital and reserves continued

Share premium account

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

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

Own shares

	£000
Balance at 1 July 2016	(3,231)
Issued in the year	(921)
Disposed of on exercise of options	526
Balance at 30 June 2017	**(3,626)**

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

Reserves

Share-based payment reserve

The Group operates a number of equity-settled share-based payment plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based payment plans is recognised as a capital contribution over the vesting period. Full details of share-based payments, share option schemes and share plans are disclosed in note 25 to the Group financial statements. The share-based payment reserve and tax reserve, which were previously shown separately, have been combined with retained earnings for presentational purposes.

Tax reserve

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

Hedging reserve

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

Merger reserve

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

15. Commitments

Operating lease commitments

	30 June 2017 £000	30 June 2016 £000
Minimum lease payments under operating leases recognised in the income statement for the year	**1,020**	925

At the balance sheet date, 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:

	30 June 2017 £000	30 June 2016 £000
Within one year	**1,043**	925
Between one and five years	**517**	1,346
After five years	**—**	—
	1,560	2,271

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 for the year to 30 June 2018 on these operating leases is expected to be £1,043,000 for the Company (2016: £925,000).

Future capital expenditure

	30 June 2017 £000	30 June 2016 £000
Contracted for but not provided	**6,237**	819

At the year end the Company had additional commitments of £6,237,000 relating to the acquisition of property, plant and equipment and intangible assets (2016: £819,000).

Notes to the Company financial statements continued

For the year ended 30 June 2017

16. Dividends

For details of dividends see note 23 of the Group financial statements.

17. Retirement benefit schemes

Defined contribution schemes

The total cost charged to the income statement in respect of these schemes during the year ended 30 June 2017 was £1,014,000 (2016: £1,538,000). As at 30 June 2017, contributions of £146,000 (2016: £122,000) due in respect of the current reporting period had not been paid over to the schemes.

18. Related party transactions

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. The Company has applied the exemption available not to disclose transactions with its wholly owned subsidiaries.

Directors' transactions

The remuneration of the Directors and senior managers, who are key management personnel of the Company, is set out in the Remuneration Report on pages 41 to 54.

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

19. Share-based payments

The Company has a number of share-based payment arrangements that existed during 2017, the details of which can be found in note 25 of the Group financial statements.

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.
DNA	Deoxyribonucleic Acid – a polymeric molecule that comprises both the coding and non-coding elements of the genome of an organism. Coding elements are transcribed into RNA, while non-coding elements exert cellular control functions.
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.
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.
Recombinant	An antibody or protein that is synthesised from modified DNA in an artificial system that permits rapid production of large quantities of the protein.
RNA	Ribonucleic Acid – a polymeric molecule that is transcribed from DNA. Various forms of RNA are involved in protein synthesis.
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, Equiniti Limited, 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 2017
Full year results announced	11 September 2017
Annual General Meeting	14 November 2017
Ex-dividend date for final dividend	16 November 2017
Record date for final dividend	17 November 2017
Final dividend payment	8 December 2017

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.

Both the paper manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and FSC chain-of-custody certified.

Produced by

designportfolio

Ground-breaking ceremony, June 2017, for Abcam's new global headquarters at the Cambridge Biomedical Campus.

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