Financial statements

Our independently audited statutory accounts provide in-depth and insightful disclosure on the financial performance and position of the Group.

Financial statements

Independent auditor's report
to the members of Abcam plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Abcam plc's consolidated 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 2019 and of the Group's profit and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with 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 2019 (the 'Annual Report'), which comprise: the consolidated and Company balance sheets as at 30 June 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement 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 auditor's 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	- Overall Group materiality: £3.4m (2018: £3.5m), based on 5% of profit before tax, adjusted to exclude the charges relating to the impairment of intangibles associated with the new ERP system (£12.8m). - Overall Company materiality: £2.9m (2018: £3.3m), based on 5% of profit before tax, adjusted to exclude charges relating to the impairment of intangibles associated with the new ERP system (£12.8m).
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, two in the US and another in Japan. - 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, the Group engagement team performed all of the audit procedures. - Taken together, the Group companies, as well as the consolidation adjustments, over which we performed our audit procedures accounted for 81% 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 84% of revenue.
Key audit matters	- Inventory provisioning (Group and Company). - Valuation of internally developed technology included within intangible assets (Group and Company). - Classification of system and process improvement costs (Group and Company). - Valuation and impairment of ERP system (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.

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning – Group and Company The Group and the Company had inventory of £36.0m and £24.3m respectively as at 30 June 2019. 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 to the consolidated financial statements and page 73 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 estimation in the valuation of the inventory provision 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 all material product classes, we assessed the reasonableness of the Directors' future sales forecasts by considering the accuracy of the prior year forecast and sales in the current year. We found no material exceptions in our testing. 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.
Valuation of internally developed technology included within intangible assets – Group and Company The Group and the Company capitalise costs relating to the development of internally developed technology which are used to generate antibodies and kits that the Group and the Company sells. During the year, £8.0m was capitalised by the Group and £7.9m was capitalised by the Company as part of the total additions to internally developed technology (see note 4 to the consolidated financial statements and page 73 of the Audit and Risk Committee Report). The costs incurred in producing internally developed technology include a labour and overhead allocation. This allocation is capitalised into intangible assets 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 which pass quality tests, meaning that the total labour and overhead absorbed into intangible assets 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 intangible assets, 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. For internally developed technology, we agreed, on a sample basis, the quality test results to underlying records. 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 and capitalised as intangible assets. We found no material exceptions in our testing.

Report on the audit of the financial statements continued

Key audit matter	How our audit addressed the key audit matter
Classification of system and process improvement costs – Group and Company During the year the Group and the Company capitalised costs of £11.6m and £11.6m respectively in relation to the system and process improvement 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 Group's adjusted performance measures (see note 7 to the consolidated financial statements and page 73 of the Audit and Risk Committee Report). The Directors have assessed whether the costs incurred in relation to the Group's and the Company's system and process improvement project meet the criteria for capitalisation and, if not, whether the costs were incremental to the ongoing costs of the Group. The Group's adjusted profit before tax, which is one of the Group's KPIs and is discussed in the 'Chief Financial Officer's Report and Financial Review' sections, is directly impacted by the amount of costs capitalised and the amounts included in the reconciliation of the Group's adjusted performance measures. We focused on whether the costs capitalised met the criteria for capitalisation and whether, for those costs classified as system and process improvement costs within the reconciliation of the Group's adjusted performance measures, 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 and contractor 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 Group's reconciliation of adjusted performance 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.
Valuation and impairment of ERP system – Group and Company The Group and the Company have capitalised costs relating to the ERP system. Following the decision to take a phased roll out approach, it was necessary to allocate the costs capitalised at 30 June 2018 between different modules. The Directors calculated the split of the costs based on historical time records and where necessary have then applied this split to any remaining costs on a pro-rata basis. (See note 4 to the consolidated financial statements and page 73 of the Audit and Risk Committee Report). Having allocated the costs to each module, the Directors concluded that the level at which the impairment test should be performed should be on this modular basis. The individual modules were reviewed to identify those modules where work performed to date would no longer be utilised or would require considerable re-work. Such modules were fully impaired with a charge totalling £12.8m recorded in the consolidated income statement.	We agreed, on a sample basis, the historical time records used in the calculation to timesheets and corroborated with a sample of individuals the modules that they had worked on. We assessed management's basis for allocating the remaining costs on a pro-rata basis and checked the calculation. We re-calculated the allocation of the costs based on the derived split. We challenged management on the most appropriate basis to determine the unit of account. We agree with management that the modular level was the most appropriate basis for performing the assessment. We also considered evidence to support the future usability of modules. We re-performed the calculation of the impairment. 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 consolidated financial statements are a consolidation of 19 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, together with consolidation adjustments accounted for 84% of the Group's revenue and 81% of the Group's absolute profit before tax adjusted to exclude the charge relating to the impairment of intangibles related to the new ERP system (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at four further reporting units, two based in the US, one in China and another in Japan.

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, both before and during the performance of the procedures. In addition, the senior statutory auditor held discussions with local management and the component auditor in China and the Group engagement team conducted a review of the working papers. Taken together, the Group companies as well as the consolidation adjustments, over which we performed our audit procedures, accounted for 81% of the absolute profit before tax and 86% of revenue.

Materiality

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

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

	Consolidated financial statements	Company financial statements
Overall Group materiality	£3.4m (2018: £3.5m).	£2.9m (2018: £3.3m).
How we determined it	5% of profit before tax, adjusted to exclude the charge relating to the impairment of intangibles associated with the new ERP system (£12.8m).	5% of profit before tax, adjusted to exclude the charge relating to the impairment of intangibles associated with the new ERP system (£12.8m).
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. In the current year, there was a significant non-cash charge relating to the impairment of intangibles associated with the new ERP system which was not reflective of the ongoing operations of the business and therefore was excluded from our materiality calculation.	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. In the current year, there was a significant non-cash charge relating to the impairment of intangibles associated with the new ERP system which was not reflective of the ongoing operations of the business and therefore was excluded from our materiality calculation.

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 £1.7m and £3.2m.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.2m (Group audit) (2018: £0.2m) and £0.2m (Company audit) (2018: £0.2m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Report on the audit of the financial statements continued

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 12 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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).

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 2019 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 37 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 45 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 89, 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 70 to 74 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 88 and 89, 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.

Auditor's 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 auditor's 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 auditor's report.

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 88 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 38 and 45 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 Companies Act 2006.

Sam Talyor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
6 September 2019

Consolidated income statement
For the year ended 30 June 2019

	Note	Year ended 30 June 2019 Adjusted* £m	Year ended 30 June 2019 Adjusting items* £m	Year ended 30 June 2019 Total £m	Year ended 30 June 2018 Adjusted* £m	Year ended 30 June 2018 Adjusting items* £m	Year ended 30 June 2018 Total £m
Revenue	5	259.9	—	259.9	233.2	—	233.2
Cost of sales		(76.7)	—	(76.7)	(70.2)	—	(70.2)
Gross profit		183.2	—	183.2	163.0	—	163.0
Selling, general and administrative expenses		(88.9)	(23.2)	(112.1)	(69.8)	(8.4)	(78.2)
Research and development expenses		(10.7)	(4.3)	(15.0)	(11.9)	(4.1)	(16.0)
Operating profit	6	83.6	(27.5)	56.1	81.3	(12.5)	68.8
Finance income	9	0.6	—	0.6	0.3	—	0.3
Finance costs	9	(0.3)	—	(0.3)	—	—	—
Profit before tax		83.9	(27.5)	56.4	81.6	(12.5)	69.1
Tax	10	(16.5)	5.1	(11.4)	(14.9)	8.0	(6.9)
Profit for the year attributable to the equity shareholders of the parent		67.4	(22.4)	45.0	66.7	(4.5)	62.2
Earnings per share							
Basic earnings per share	11	32.9p		22.0p	32.7p		30.5p
Diluted earnings per share	11	32.6p		21.8p	32.4p		30.2p

* Adjusted figures exclude costs associated with the new Group headquarters, systems and process improvement costs including impairment, amortisation of acquisition intangibles, acquisition costs, the tax effect of adjusting items and significant tax adjustments in respect of new US tax legislation. Such excluded items are described as 'adjusting items'. Further information on these items is shown in note 7.

Consolidated statement of comprehensive income
For the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit for the year attributable to the equity shareholders of the parent		45.0	62.2
Items that may be reclassified to the income statement in subsequent years			
Movement on cash flow hedges	23	(1.7)	0.2
Exchange differences on translation of foreign operations		7.0	(1.8)
Movement in fair value of investment		(0.1)	(0.1)
Tax relating to components of other comprehensive income		0.3	—
Other comprehensive income/(loss) for the year		5.5	(1.7)
Total comprehensive income for the year		50.5	60.5

Consolidated balance sheet
As at 30 June 2019

	Note	30 June 2019 £m	30 June 2018 £m
Non-current assets			
Goodwill	12	**120.9**	114.2
Intangible assets	13	**106.7**	106.3
Property, plant and equipment	14	**37.1**	25.1
Investments		**0.8**	0.9
Deferred tax asset	15	**9.4**	8.4
		274.9	254.9
Current assets			
Inventories	16	**36.0**	29.6
Trade and other receivables	17	**43.1**	39.3
Current tax receivable		**5.4**	—
Derivative financial instruments	18	**0.2**	0.8
Cash and cash equivalents		**87.1**	90.2
		171.8	159.9
Total assets		**446.7**	414.8
Current liabilities			
Trade and other payables	19	**(41.8)**	(45.8)
Derivative financial instruments	18	**(2.0)**	(0.5)
Current tax liabilities		**(1.5)**	(2.7)
		(45.3)	(49.0)
Net current assets		**126.5**	110.9
Non-current liabilities			
Deferred tax liability	15	**(16.5)**	(14.0)
Derivative financial instruments	18	**(0.1)**	(0.1)
		(16.6)	(14.1)
Total liabilities		**(61.9)**	(63.1)
Net assets		**384.8**	351.7
Equity			
Share capital	21	**0.4**	0.4
Share premium account		**27.0**	25.6
Merger reserve	21	**68.1**	68.1
Own shares	21	**(2.8)**	(3.2)
Translation reserve	21	**33.3**	26.3
Hedging reserve	21	**(1.3)**	0.1
Retained earnings		**260.1**	234.4
Total equity attributable to the equity shareholders of the parent		**384.8**	351.7

The consolidated financial statements were approved by the Board of Directors on 6 September 2019 and signed on its behalf by:

Gavin Wood
Director

Consolidated statement of changes in equity
For the year ended 30 June 2019

	Note	Share capital £m	Share premium account £m	Merger reserve £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 July 2017		0.4	23.9	68.1	(3.6)	28.1	(0.1)	190.3	307.1
Profit for the year		—	—	—	—	—	—	62.2	62.2
Other comprehensive income		—	—	—	—	(1.8)	0.2	(0.1)	(1.7)
Total comprehensive income		—	—	—	—	(1.8)	0.2	62.1	60.5
Issue of ordinary shares		—	1.7	—	0.4	—	—	(0.5)	1.6
Share-based payments inclusive of deferred tax		—	—	—	—	—	—	4.7	4.7
Purchase of own shares		—	—	—	—	—	—	(0.1)	(0.1)
Equity dividends	22	—	—	—	—	—	—	(22.1)	(22.1)
Balance as at 30 June 2018		0.4	25.6	68.1	(3.2)	26.3	0.1	234.4	351.7
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**45.0**	**45.0**
Other comprehensive income		**—**	**—**	**—**	**—**	**7.0**	**(1.4)**	**(0.1)**	**5.5**
Total comprehensive income		**—**	**—**	**—**	**—**	**7.0**	**(1.4)**	**44.9**	**50.5**
Issue of ordinary shares		**—**	**1.4**	**—**	**0.4**	**—**	**—**	**(0.4)**	**1.4**
Share-based payments inclusive of deferred tax		**—**	**—**	**—**	**—**	**—**	**—**	**6.3**	**6.3**
Purchase of own shares		**—**	**—**	**—**	**—**	**—**	**—**	**(0.2)**	**(0.2)**
Equity dividends	22	**—**	**—**	**—**	**—**	**—**	**—**	**(24.9)**	**(24.9)**
Balance as at 30 June 2019		**0.4**	**27.0**	**68.1**	**(2.8)**	**33.3**	**(1.3)**	**260.1**	**384.8**

Consolidated cash flow statement
For the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Operating profit		**56.1**	68.8
Adjustments for:			
Depreciation of property, plant and equipment	14	**4.8**	4.5
Amortisation of intangible assets	13	**10.6**	8.4
Impairment of intangible assets	13	**12.8**	—
Derivative financial instruments at fair value through profit or loss	6	**0.4**	(0.7)
Loss on disposal of property, plant and equipment		**—**	0.2
Research and development expenditure credit	6	**(1.9)**	(3.1)
Share-based payments charge	24	**6.5**	3.4
Unrealised currency translation gains		**(1.1)**	(0.5)
Operating cash flows before movements in working capital		**88.2**	81.0
Increase in inventories		**(6.1)**	(5.8)
Increase in receivables		**(6.1)**	(5.7)
Increase in payables		**7.7**	3.4
Cash generated from operations		**83.7**	72.9
Net income taxes paid		**(13.5)**	(9.6)
Net cash inflow from operating activities	*	**70.2**	63.3
Investing activities			
Interest income		**0.6**	0.3
Purchase of property, plant and equipment	*	**(17.7)**	(16.4)
Purchase of intangible assets	*	**(22.7)**	(21.0)
Transfer of cash from escrow in respect of future capital expenditure	*	**4.5**	0.9
Net cash outflow arising from acquisitions	26	**(14.6)**	(1.5)
Net cash outflow from investing activities		**(49.9)**	(37.7)
Financing activities			
Dividends paid	22	**(24.9)**	(22.1)
Proceeds on issue of shares		**1.4**	1.6
Facility arrangement fees		**(0.9)**	—
Interest paid		**(0.1)**	—
Purchase of own shares		**(0.2)**	(0.1)
Net cash outflow from financing activities		**(24.7)**	(20.6)
(Decrease)/increase in cash and cash equivalents		**(4.4)**	5.0
Cash and cash equivalents at beginning of year		**90.2**	84.8
Effect of foreign exchange rates		**1.3**	0.4
Cash and cash equivalents at end of year	(i)	**87.1**	90.2
Free Cash Flow	(ii)	**34.3**	26.8

(i) Within cash and cash equivalents is £0.4m of cash relating to employee contributions to the new Group share option scheme 'AbShare', which is reserved for the purpose of purchasing shares upon vesting.
(ii) Free Cash Flow comprises those items marked * and comprises net cash generated from operating activities less net capital expenditure and transfer of cash from/(to) escrow in respect of future capital expenditure.

1. Presentation of the financial statements

a) General information

Abcam plc (the Company) is a public limited company whose shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is incorporated and domiciled in the UK and is registered in England under the Companies Act 2006.

b) Basis of preparation and consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, interpretations issued by the IFRS Interpretations Committee (IFRIC), IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been presented in Sterling, the functional currency of the Company, and on the historical cost basis, except for the revaluation of certain financial instruments.

The consolidated financial statements incorporate the financial statements of the Company and entities under its control. Control is achieved when the Company has power to control the financial and operating policies of an entity either directly or indirectly and the ability to use that 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.

c) Adjusted performance measures

Adjusted performance measures are used by the Directors and management to monitor business performance internally and exclude certain cash and non-cash items which they believe are not reflective of the normal course of business of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Adjusted performance measures may not be directly comparable with other similarly titled measures used by other companies. A detailed reconciliation between reported and adjusted measures is presented in note 7.

d) Going concern

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

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

2. New accounting standards, amendments and interpretations

The Group adopted IFRS 9 and IFRS 15 on 1 July 2018. Analysis of the impacts of these standards are set out below.

IFRS 9 'Financial instruments' which replaces IAS 39 'Financial Instruments Recognition and Measurement'

In accordance with the transitional provisions set out in the standard, the Group has applied the IFRS 9 prospectively from 1 July 2018, whereby comparative figures have not been restated.

IFRS 9 is applicable to financial assets and financial liabilities, and covers classification, measurement and derecognition. The main areas of change that are relevant for the Group are:

Providing against credit risk on trade receivables – The Group has applied the simplified model specified for expected credit losses, based on the historical default rates experienced across the Group. This replaces the previous policy, which was based on estimated irrecoverable amounts determined by specific circumstance or past experience, however, this has not resulted in any significant change in outcome. As a result, at transition, no change in provision against trade receivables was required.

Equity investments – A transition election has been made to continue to recognise fair value gains and losses through the statement of other comprehensive income. This is consistent with the treatment under IAS 39 and has therefore had no transitional impact.

Derivatives – The Group purchases forward contracts to manage exposure to foreign exchange risk arising from sales in foreign currency, principally US Dollars, Euros, Japanese Yen and Chinese Renminbi. These arrangements qualify as cash flow hedges under IAS 39 and IFRS 9 and the transition to IFRS 9 has therefore not resulted in any changes to their classification or measurement, nor is there to be a change in assessing hedge effectiveness.

IFRS 15 'Revenue from contracts with customers'

The Group has applied this standard from 1 July 2018 using a fully retrospective approach. IFRS 15 supersedes IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement. Revenue is recognised when performance obligations are satisfied in respect of the transfer of goods or services at an amount that the entity expects to receive in exchange for those goods or services.

Over 90% of the Group's revenue is derived from catalogue product sales, where it has been determined that the performance obligation has been satisfied at the point when control of the products is transferred to the customer. This does not represent a change from the previous treatment under IAS 18.

The Group's other revenue streams (being custom products & licensing revenue) are such that entitlement to income is aligned to defined performance obligations and deliverables. Consequently, this also represents no change from the previous treatment under IAS 18 for revenue, profit or net assets.

2. New accounting standards, amendments and interpretations continued

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

IFRS 16 'Leases'
(effective from the Group's 2019/20 financial year).

IFRS 16 supersedes IAS 17 'Leases' and has been endorsed by the European Union. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) or where the underlying asset value is low.

IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before tax, total assets and total liabilities lines.

The Group intends to take advantage of the modified retrospective transition method whereby the lease liability is recognised as the present value of future payments on transition and the asset is recognised as the present value of the total lease payments at the lease inception and then depreciated on a straight line basis from this date. As such a transition adjustment is generated due to the difference between the value of the asset and liability. The current transition assessments, detailed below, are based on a weighted average incremental borrowing rate of 1.58%, which in turn takes advantage of the practical expedient on transition to apply a single discount rate to groups of leases with similar risk profiles. As such a single discount rate has been applied to leases in each country in which the Group operates.

The Group has conducted a review of its lease contracts and based on the leases in place at 30 June 2019 expects a decrease in net assets of £2.1m on transition at 1 July 2019.

This is the combination of a £5.9m decrease driven by the recognition of liabilities over asset values offset by the release of deferred rent accruals and prepayments of £3.8m. In the years post-transition, there would also be an impact on the Group's income statement as the fixed rental expense is replaced by a depreciation charge and an interest expense. This will lead to an increase of approximately £1m 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.

Other new standards and interpretations which are in issue but not yet effective are expected to have either no impact or no material impact on the consolidated financial statements.

3. Principal accounting policies

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, net of discounts, VAT and other sales-related taxes.

Revenue from sales of goods is recognised upon delivery to the customer or the point at which the customer takes control of the goods if this is sooner.

Custom service revenue is recognised when a milestone, as defined in the contract, has been completed. Each milestone is typically aligned to a customer deliverable and accordingly is considered to be a performance obligation. Every milestone has a defined transaction price. If it is identified 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. 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.

Leasing
To the extent that the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, leases are classified as finance leases. 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 fixed 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.

The Group will transition to IFRS 16 from 1 July 2019, details of which are set out in note 2.

Foreign currencies
Foreign currency transactions are booked at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

The results of overseas subsidiaries are translated into Sterling using the average exchange rates during the year. Assets and liabilities are translated at the rates ruling at the balance sheet date. Goodwill arising on the acquisition of a foreign operation is treated as an asset of that foreign operation and as such is translated at the relevant foreign exchange rate at the balance sheet date. Exchange differences arising on this translation are recognised in the translation reserve.

Other exchange differences are recognised in the income statement in the period in which they arise except for where items are designated as hedging instruments or where there is a net investment hedge.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group has no further obligations once the contributions have been paid.

Taxation

Current tax payable is based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes certain items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. 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 equity rather than the income statement.

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.

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. 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 reserves, in which case the deferred tax is also dealt with in other comprehensive income or reserves 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, they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

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, liabilities and contingent liabilities unless the fair value cannot be reliably measured in which case the value is subsumed into goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

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

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 the income statement as a bargain purchase.

Goodwill is not amortised, but is subject to an impairment review at least annually and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash generating units (CGUs). 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.

Intangible assets

Acquisition intangibles:

Acquisition intangibles comprise licence fees, customer relationships and distribution rights, patents, technology and know-how and trade names. These are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. The principal expected useful lives are as follows:

Licence fees	Term of licence
Customer relationships and distribution rights	2 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 their intended purpose; until this point the assets are deemed to be in progress.

3. Principal accounting policies continued

Other intangibles:

These comprise software and expenditure on capitalised internally developed technology. Internally developed technology costs are recognised as an asset if and only if they meet the recognition criteria set out in IAS 38 Intangible Assets. Intangible assets under construction are not amortised.

The principal expected useful lives are as follows:

Software	2 to 5 years
Internally developed technology	3 to 16 years

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value. 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, as follows:

Laboratory equipment and testing assets	2 to 10 years
Office fixtures, fittings and other equipment	2 to 5 years
Leasehold improvements	Term of lease

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 assessed on an ongoing basis and adjusted, if appropriate, at each balance sheet date. Assets under the course of construction are not depreciated.

Impairment of property, plant and equipment and intangible assets excluding goodwill

A review is undertaken upon the occurrence of events or circumstances which indicate that the carrying amount may not be recoverable.

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.

Inventories

Inventories and work in progress 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. 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 assets

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties, and investments classified as available for sale.

Investment

Investments in shares are held at fair market value, with any revaluation gain or loss recorded through other comprehensive income, with the exception of any impairment losses which are recorded in the income statement.

Trade and other receivables

Trade receivables (excluding derivative financial assets) are recognised at cost less allowances for estimated irrecoverable amounts to align their cost to fair value. The provision is based on the Group's expected credit loss.

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.

Financial liabilities

Financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date.

Trade and other payables

Trade payables (excluding derivative financial liabilities) are non-interest bearing and are stated at cost which equates to their fair value.

Equity instruments

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

3. Principal accounting policies continued

Derivative financial instruments

The Group uses forward contracts to manage the exposure to fluctuating foreign exchange rates in relation to forecast future transactions.

Derivatives are initially recognised at fair value at the date a contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. 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.

Hedge accounting

At the inception of a hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, its effectiveness along with its risk management objectives, and its strategy for undertaking various hedge transactions. The effectiveness is repeated on an ongoing basis during the life of the instrument to ensure that the instrument remains effective.

Cash flow hedges

The Group designates certain derivatives as cash flow hedges of highly probable forecast foreign currency transactions.

The effective portion of changes in the fair value of derivatives which are designated and qualify as cash flow hedges is deferred in other comprehensive income. Gains or losses relating to the ineffective portion are recognised immediately in the income statement.

Amounts deferred in other comprehensive income are recycled to the income statement in the periods when the hedged item is recognised in the income statement.

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 in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is recognised immediately in the income statement.

Share-based payments

Equity settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and 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.

Share-based payments where vesting is by reference to external performance criteria (such as growth in an external index) are measured using the Monte Carlo simulation. Those which are subject only to internal performance criteria or service conditions are measured using the Black-Scholes model.

For all schemes, the number of options expected to vest is recalculated at each balance sheet date based on expectations of leavers prior to vesting. The number of options expected to vest for schemes with internal performance criteria is also adjusted based on expectations of performance against targets. No adjustments are made for expected performance against external or 'market-based' targets. Charges made to the income statement in respect of equity settled share-based payments are credited to equity.

For cash settled share-based payments, the Group recognises a liability for the services acquired, measured initially at the fair value of the liability. This liability is remeasured at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the income statement.

Own shares

No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own shares. Any difference between the carrying amount and the consideration is recognised in equity.

4. Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions about the application of its accounting policies which affect the reported amounts of assets, liabilities, revenue and expenses. Actual amounts and results may differ from those estimates.

Judgements and estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recognised in the period in which the estimate is revised.

Only one critical judgement has been identified but other judgements exist which are considered to be key.

a) Critical accounting judgements

Impairment of the Group's ERP system

The Group has been capitalising costs associated with the new ERP system since 2016 as outlined in the key accounting judgements below. After an extensive review of business requirements and the current functionality of Oracle Cloud software as well as other best in class software providers, a decision was taken to make some changes to the approach and software used to address these areas. The opportunity was also taken to extend the scope of the programme to integrate improvements in these functional areas with front-end system enhancements to improve customers' end-to-end experience through logistics and ultimately into manufacturing.

Taking this into account, a review was undertaken of historical expenditure incurred to date and as part of the impairment review of assets under construction, two impairment indicators were identified: the first being modules that are no longer being utilised or which would require considerable re-work; and the second is the extended timeframe for certain modules resulting in potentially obsolete programming by the time the module goes live.

Identifying which modules may be impacted is judgemental and technically complex compounded by identifying and in particular, allocating the costs specifically related to each individual module in question. In this respect, the split of labour costs has been based on historical time records and, where necessary, this apportionment by module has been applied to any remaining costs.

b) Key accounting judgements

Capitalisation of intangible assets

The Group capitalises internal software development costs, in particular internal staff costs, relating to the enhancement of the Group's core IT systems architecture and developments. Judgement is required in applying the capitalisation criteria of IAS 38, differentiating between enhancements and maintenance. Those costs which are not treated as capital but are directly attributable to the Group's system and process improvement project are treated as adjusting items.

In establishing the principles on which costs are capitalised, consideration is given to the nature of work being performed, whether the costs and the activities are incremental and whether the associated deliverables meet the characteristics of an asset. Processes are in place to evaluate this and the same processes are used to confirm whether the expensed costs are related to the system and process improvement project so that classification as an adjusting item is appropriate.

The Group capitalises internal costs associated with internally developed technology as intangible assets as described further in notes 3 and 13. This requires judgement to determine that the characteristics of such assets meet the relevant criteria of IAS 38 for classification as an intangible asset.

Internally developed technology capitalised

Internal costs are capitalised as internally developed technology within intangible assets which are used to generate antibodies and kits. The point at which such internal costs are capitalised as well as their magnitude (whereby the amount capitalised comprises an element of overhead allocation) is a key area of judgement. A key area in respect of the stage of development of internally developed technology is subject to judgement as to when a product's future economic value justifies capitalisation. Management reviews regularly these factors in order to determine that the costs meet the criteria for capitalisation as intangible assets.

c) Key sources of estimation uncertainty

Provision for slow-moving or defective inventory

The provision for slow-moving inventory is based on the Directors' 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. 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.

5. Operating segments

Products and services from which reportable segments derive their revenues

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

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

Geographical information

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

	Revenue		Non-current assets	
	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m	**As at 30 June 2019 £m**	As at 30 June 2018 £m
US	**115.6**	97.4	**169.9**	165.2
China	**39.9**	33.1	**3.8**	3.2
Japan	**16.9**	16.4	**0.1**	0.1
Germany	**15.2**	13.4	**—**	—
UK	**13.6**	13.6	**91.3**	77.9
Other countries	**58.7**	59.3	**0.4**	0.1
	259.9	233.2	**265.5**	246.5

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 2019 £m	Year ended 30 June 2018 £m
Catalogue revenue	**242.8**	216.8
Custom products & licensing revenue*	**17.1**	16.4
Total reported revenue	**259.9**	233.2

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

Because all service projects within a contract had an original expected duration of one year or less, the Group has taken advantage of the exemption not to disclose outstanding amounts in respect of uncompleted contracts.

6. Profit for the year

Profit for the year is stated after charging/(crediting):

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cost of inventories recognised as an expense	**59.3**	58.8
Write down of inventories recognised as an expense	**1.4**	0.8
R&D expenditure (excluding UK tax credits)	**16.9**	19.1
UK R&D tax credits	**(1.9)**	(3.1)
Operating lease rentals	**8.9**	5.4
Movements arising on financial instruments at fair value through profit or loss	**0.4**	(0.7)
Other net foreign exchange differences (including cash flow hedge movements reclassified from other comprehensive income)	**(0.1)**	(0.9)

Auditor's remuneration comprised the following:

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Audit services – Group and parent company	**178**	176
– subsidiary companies pursuant to legislation	**8**	8
Total audit fees	**186**	184
Audit-related assurance services (interim review)	**22**	21
Other services	**1**	4
Total auditor remuneration	**209**	209

The Group's policy on the use of the auditor for non-audit services is set out in the Audit and Risk Committee Report on page 74.

7. Adjusted performance measures

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

	Note	Year ended 30 June 2019 Adjusted £m	Year ended 30 June 2019 Adjusting items £m	Year ended 30 June 2019 Total £m	Year ended 30 June 2018 Adjusted £m	Year ended 30 June 2018 Adjusting items £m	Year ended 30 June 2018 Total £m
EBITDA*		**92.4**	**(8.1)**	**84.3**	88.3	(6.6)	81.7
Depreciation and amortisation		**(8.8)**	**(19.4)**	**(28.2)**	(7.0)	(5.9)	(12.9)
Operating profit		**83.6**	**(27.5)**	**56.1**	81.3	(12.5)	68.8
Finance income	9	**0.6**	**—**	**0.6**	0.3	—	0.3
Finance costs	9	**(0.3)**	**—**	**(0.3)**	—	—	—
Profit before tax		**83.9**	**(27.5)**	**56.4**	81.6	(12.5)	69.1
Tax	10	**(16.5)**	**5.1**	**(11.4)**	(14.9)	8.0	(6.9)
Profit for the period		**67.4**	**(22.4)**	**45.0**	66.7	(4.5)	62.2

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

Analysis of adjusting items		Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Affecting EBITDA			
System and process improvement costs	(i)	**(4.5)**	(6.1)
Costs associated with new Group headquarters	(ii)	**(3.6)**	(0.3)
Acquisition costs		**—**	(0.2)
		(8.1)	(6.6)
Affecting depreciation and amortisation			
impairment of software assets	(iii)	**(12.8)**	—
New Group headquarters depreciation	(ii)	**(0.1)**	—
Amortisation of acquisition intangibles	(iv)	**(6.5)**	(5.9)
		(19.4)	(5.9)
Affecting operating profit and profit before tax		**(27.5)**	(12.5)
Affecting tax			
Tax effect of adjusting items		**5.3**	2.8
Net tax effect of new US tax legislation		**(0.2)**	5.2
Total adjusting items		**(22.4)**	(4.5)

(i) Comprises costs of the ERP implementation which do not qualify for capitalisation.
(ii) Relates to costs associated with the new Group headquarters. Depreciation relates to assets prior to occupation of the building and being brought into use.
(iii) The strategic ERP project is a complex, multi year global business transformation with numerous phases extending across multiple Group functions. Following achievement of the most recent implementation milestone, a review was undertaken of historical expenditure incurred to date on outstanding modules to assess whether each element remains appropriate to the business's needs. In addition, whether the work undertaken to date on each module remains usable going forwards was subject to further scrutiny, judgement and challenge. Further information is set out in note 4. Following the review, it has been concluded that as a result of changes in the scope and nature of the programme and the corresponding usability of historical work performed, software assets of £12.8m have been impaired.
(iv) £4.3m (2018: £4.1m) of amortisation of acquisition intangibles is included within research and development expenses, with the remaining £2.2m (2018: £1.8m) included within selling, general and administrative expenses.

8. Employees

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

	Year ended 30 June 2019 number	Year ended 30 June 2018 number
Management, administrative, marketing and distribution	**784**	741
Laboratory	**371**	313
	1,155	1,054

Their aggregate remuneration comprised:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	**56.0**	49.7
Social security costs	**6.8**	6.1
Other pension costs	**3.5**	2.9
Share-based payments charge	**6.5**	3.4
Total staff costs	**72.8**	62.1
Staff costs capitalised*	**(1.5)**	(1.9)
Net staff costs	**71.3**	60.2

* Relates to staff costs directly attributable to the Group's system and process improvement project.

The remuneration of the Directors, including rewards under share schemes, are set out in note 27 and the Annual Report on Remuneration on pages 80 and 81.

9. Finance income and costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Interest receivable	**0.6**	0.3
Finance income	**0.6**	0.3
Borrowing costs*	**(0.3)**	—
Finance costs	**(0.3)**	—
Net finance income	**0.3**	0.3

* Borrowing costs comprise mainly the amortisation of up-front fees associated with the set up of the Group's Revolving Credit Facility (RCF) of £200m which was entered into during the year. These fees are being amortised over three years, being the initial term of the RCF.

10. Taxation

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Current tax			
Current income tax charge		**9.7**	15.8
Adjustment in respect of prior years		**0.2**	(1.4)
		9.9	14.4
Deferred tax			
Origination and reversal of temporary differences		**0.6**	(13.8)
Adjustment in respect of prior years		**1.1**	0.3
Effect of tax rate change		**(0.2)**	6.0
	15	**1.5**	(7.5)
Total income tax charge		**11.4**	6.9
Adjusted income tax charge*		**16.5**	14.9

* Adjusted income tax charge excludes the tax effects of adjusting items and the impact on tax arising from new US tax legislation, both of which are set out in note 7.

The effective tax rate on reported profits is 20.2% (2018: 10.0%) and has increased mainly due to the non-reoccurrence of one-off impacts of the US tax reforms (in particular the revaluation of deferred tax balances associated with the Group's acquired intangible assets which impacted the 2018 rate). The effective rate on adjusted profits is 19.7% (2018: 18.3%).

The UK corporation tax rate for the year was 19.0% (2018: 19.0%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit before tax	**56.4**	69.1
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	**10.7**	13.1
Adjustment in respect of overseas tax rates	**1.4**	0.9
Adjustments in respect of prior years	**1.3**	(1.1)
Tax effect of non-taxable income	**(0.9)**	(0.3)
Relief in relation to overseas entities	**(0.3)**	—
Overseas R&D tax credit uplift	**(0.6)**	(0.5)
Overseas taxes arising from changes in tax legislation	**—**	0.8
Effect of tax rate change on deferred tax balances	**(0.2)**	(6.0)
Tax expense for the year	**11.4**	6.9

11. Earnings per share

The calculations of earnings per ordinary share (EPS) and adjusted earnings per ordinary share (adjusted EPS) are based on profit after tax and adjusted profit after tax respectively, attributable to owners of the parent and the weighted number of shares in issue during the year.

Adjusted EPS figures have been calculated based on earnings before adjusting items which are considered significant in nature or value and which are described in note 7.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Earnings		
Profit attributable to equity shareholders of the parent – adjusted	**67.4**	66.7
Adjusting items (see note 7)	**(22.4)**	(4.5)
Profit attributable to equity shareholders of the parent – reported	**45.0**	62.2

	million	million
Number of shares		
Weighted average number of ordinary shares in issue	**205.4**	204.8
Less ordinary shares held by Equiniti Share Plan Trustees Limited	**(0.5)**	(0.6)
Weighted average number of ordinary shares for the purposes of basic EPS	**204.9**	204.2
Effect of potentially dilutive ordinary shares – share options and awards	**1.8**	1.6
Weighted average number of ordinary shares for the purposes of diluted EPS	**206.7**	205.8

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

	Year ended 30 June 2019	Year ended 30 June 2018
Basic EPS	**22.0p**	30.5p
Diluted EPS	**21.8p**	30.2p
Adjusted basic EPS	**32.9p**	32.7p
Adjusted diluted EPS	**32.6p**	32.4p

12. Goodwill

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cost and carrying amount			
At beginning of year		**114.2**	115.5
Additions	26	**2.8**	0.1
Exchange differences		**3.9**	(1.4)
At end of year		**120.9**	114.2

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

Goodwill acquired in a business combination is allocated at acquisition to the Cash Generating Unit (CGU) which is 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 (as described in note 5).

As required by IAS 36, goodwill is subject to an annual impairment review or more frequently if there are any indications that goodwill might be impaired. The reviews are carried out using the following criteria:

- The recoverable amount of the CGU is determined from value in use (VIU) calculations;
- The VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five year period;
- Cash flows beyond the five year period are extrapolated using a long-term growth rate equivalent to the expected inflationary increases of the economies in which the Group predominantly trades.

The key assumptions considered most sensitive for the VIU calculations are:

- The Directors' five year projections;
- The growth rate after five years; and
- The pre-tax adjusted discount rate.

The Directors have projected cash flows based on strategic financial forecasts over a period of five years and take account of relative performance of competitors, knowledge of the current market, together with the Directors' views on the future achievable growth in market share and the impact of growth initiatives.

A growth rate of 2.3% has been used in the extrapolation of cash flows beyond the five years.

A pre-tax discount rate of 6.8% 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.

Based on the results of this analysis, management is satisfied that the recoverable amount of goodwill exceeds its carrying amount.

Management has performed a sensitivity analysis on each of the key base case assumptions mentioned above. Due to the significant headroom which exists between the recoverable amount and the carrying value, the Directors have concluded that there are no reasonable possible changes in any of these key assumptions which would cause the goodwill to exceed its VIU.

13. Intangible assets

	Acquisition intangibles							
	Customer relationships and distribution rights £m	Patents, technology and know-how £m	Licence fees £m	Trade names £m	Sub-total £m	Software £m	Internally developed technology £m	Total £m
Cost								
At 1 July 2017	7.2	66.4	5.4	2.5	81.5	27.5	—	109.0
Additions	0.5	—	10.4	—	10.9	18.0	2.3	31.2
Disposals	(0.2)	—	(0.2)	—	(0.4)	(0.2)	(0.1)	(0.7)
Reclassification*	—	—	—	—	—	—	17.3	17.3
Exchange differences	(0.2)	(0.8)	(0.1)	—	(1.1)	—	0.2	(0.9)
At 30 June 2018	7.3	65.6	15.5	2.5	90.9	45.3	19.7	155.9
Additions	**—**	**0.6**	**—**	**—**	**0.6**	**13.4**	**8.0**	**22.0**
Disposals in year	**(0.6)**	**—**	**—**	**—**	**(0.6)**	**(6.9)**	**—**	**(7.5)**
Exchange differences	**0.2**	**2.3**	**0.2**	**0.1**	**2.8**	**—**	**0.2**	**3.0**
At 30 June 2019	**6.9**	**68.5**	**15.7**	**2.6**	**93.7**	**51.8**	**27.9**	**173.4**
Accumulated amortisation								
At 1 July 2017	4.3	13.9	4.1	1.6	23.9	11.5	—	35.4
Charge for the year	0.7	4.1	0.8	0.3	5.9	1.7	0.8	8.4
Disposals	(0.2)	—	(0.2)	—	(0.4)	(0.2)	(0.1)	(0.7)
Reclassification*	—	—	—	—	—	—	6.5	6.5
Exchange differences	—	(0.1)	—	—	(0.1)	—	0.1	—
At 30 June 2018	4.8	17.9	4.7	1.9	29.3	13.0	7.3	49.6
Charge for the year	**0.8**	**4.2**	**1.2**	**0.3**	**6.5**	**1.9**	**2.2**	**10.6**
Impairment	**—**	**—**	**—**	**—**	**—**	**12.8**	**—**	**12.8**
Disposals in year	**(0.6)**	**—**	**—**	**—**	**(0.6)**	**(6.9)**	**—**	**(7.5)**
Exchange differences	**0.1**	**0.8**	**0.1**	**0.1**	**1.1**	**—**	**0.1**	**1.2**
At 30 June 2019	**5.1**	**22.9**	**6.0**	**2.3**	**36.3**	**20.8**	**9.6**	**66.7**
Carrying amount								
At 30 June 2018	2.5	47.7	10.8	0.6	61.6	32.3	12.4	106.3
At 30 June 2019	**1.8**	**45.6**	**9.7**	**0.3**	**57.4**	**31.0**	**18.3**	**106.7**
Included in carrying amount - Assets under construction								
At 30 June 2018	—	—	—	—	—	29.8	1.9	31.7
At 30 June 2019	**—**	**—**	**—**	**—**	**—**	**13.3**	**3.9**	**16.2**

* The reclassification in 2017/18 represented a change from property, plant and equipment to intangible assets.

Amortisation of £6.2m (2018: £4.9m) is included within Research and development expenses and £4.4m (2018: £3.5m) is included within Selling, general and administrative expenses.

Following achievement of the most recent implementation milestone of the ERP implementation project, a review was undertaken of historical expenditure incurred to date on outstanding modules included within software. It has been concluded that as a result of changes in the scope and nature of the programme, assets of £12.8m have been impaired as described further in note 7.

13. Intangible assets continued

Individually material intangible assets

The Group's new ERP system is considered to be an individually material intangible asset, of which £15.6m is included within software which is being amortised over a five year period with a remaining amortisation period of between two and five years. The remainder is the balance shown as assets under construction.

Patents, technology and know-how and Licence fees includes amounts which are considered individually material to the financial statements and are set out as follows:

	Carrying amount £m	Remaining amortisation period Years
Epitomics RabMAb® technology	**13.9**	**8**
Firefly BioWorks Multiplex and assay technology	**15.7**	**10**
AxioMx In Vitro monoclonal antibody production technology	**15.3**	**14**
Roche licence agreement	**9.0**	**9**

14. Property, plant and equipment

	Laboratory equipment and testing assets £m	Office fixtures, fittings and other equipment £m	Internally developed technology* £m	Leasehold improvements £m	Total £m
Cost					
At 1 July 2017	14.2	15.5	15.5	1.7	46.9
Additions	2.4	0.4	2.0	13.5	18.3
Disposals in year	(0.6)	(2.3)	—	—	(2.9)
Reclassification*	—	—	(17.3)	—	(17.3)
Exchange differences	—	(0.1)	(0.2)	—	(0.3)
As 30 June 2018	16.0	13.5	—	15.2	44.7
Additions	**7.2**	**4.7**	**—**	**4.9**	**16.8**
Disposals	**(0.4)**	**(3.3)**	**—**	**—**	**(3.7)**
Exchange differences	**0.2**	**0.2**	**—**	**—**	**0.4**
At 30 June 2019	**23.0**	**15.1**	**—**	**20.1**	**58.2**
Accumulated depreciation					
At 1 July 2017	9.2	9.7	5.7	—	24.6
Charge for the year	1.8	1.8	0.9	—	4.5
Disposals in year	(0.5)	(2.2)	—	—	(2.7)
Reclassification*	—	—	(6.5)	—	(6.5)
Exchange differences	(0.1)	(0.1)	(0.1)	—	(0.3)
At 30 June 2018	10.4	9.2	—	—	19.6
Charge for the year	**2.4**	**2.0**	**—**	**0.4**	**4.8**
Disposals	**(0.4)**	**(3.3)**	**—**	**—**	**(3.7)**
Exchange differences	**0.2**	**0.2**	**—**	**—**	**0.4**
At 30 June 2019	**12.6**	**8.1**	**—**	**0.4**	**21.1**
Net book value					
At 30 June 2018	5.6	4.3	—	15.2	25.1
At 30 June 2019	**10.4**	**7.0**	**—**	**19.7**	**37.1**
Included in net book value – Assets under construction					
At 30 June 2018	—	—	—	15.2	15.2
At 30 June 2019	**—**	**—**	**—**	**—**	**—**

* The reclassification in 2017/18 represented a change from property, plant and equipment to intangible assets.

15. Deferred tax assets and liabilities

	Accelerated capital allowances £m	Cash flow hedges £m	Share-based payments £m	Acquired intangible assets £m	Losses £m	Other temporary differences £m	Total £m
At 30 June 2017	(0.7)	0.1	1.7	(21.9)	1.9	3.6	(15.3)
Credit/(charge) to income	(0.1)	(0.1)	0.2	8.1	(0.5)	(0.1)	7.5
Credit to equity	—	—	1.7	—	—	—	1.7
Exchange differences	—	—	—	0.6	—	(0.1)	0.5
At 30 June 2018	(0.8)	—	3.6	(13.2)	1.4	3.4	(5.6)
(Charge)/credit to income	**(3.3)**	**—**	**0.3**	**1.4**	**(0.3)**	**0.4**	**(1.5)**
Credit to equity	**—**	**0.3**	**0.1**	**—**	**—**	**—**	**0.4**
Exchange differences	**—**	**—**	**—**	**(0.6)**	**0.2**	**—**	**(0.4)**
At 30 June 2019	**(4.1)**	**0.3**	**4.0**	**(12.4)**	**1.3**	**3.8**	**(7.1)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

Deferred tax balances are comprised as follows:

	30 June 2019 £m	30 June 2018 £m
Deferred tax assets to be recovered		
Within 12 months	**6.9**	4.2
After more than 12 months	**2.5**	4.2
	9.4	8.4
Deferred tax liabilities to be recovered		
Within 12 months	**(1.4)**	(3.1)
After more than 12 months	**(15.1)**	(10.9)
	(16.5)	(14.0)
Deferred tax liabilities (net)	**(7.1)**	(5.6)

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability or asset is expected to be realised based on rates enacted or substantively enacted by the reporting date.

16. Inventories

	30 June 2019 £m	30 June 2018 £m
Raw materials	**5.7**	4.4
Work in progress	**3.1**	2.9
Finished goods and goods for resale	**27.2**	22.3
	36.0	29.6

17. Trade and other receivables

	30 June 2019 £m	30 June 2018 £m
Amounts receivable for the sale of goods and services	**29.4**	25.0
Less provision for bad and doubtful debts	**(0.1)**	(0.1)
	29.3	24.9
Other receivables*	**9.4**	11.6
Prepayments	**4.4**	2.8
	43.1	39.3

* Other receivables includes £0.7m (2018: £5.2m) held in escrow to fund further required payments to be made to contractors in respect of the construction of the Group's now completed new global headquarters on the Cambridge Biomedical Campus.

17. Trade and other receivables continued

Ageing of trade receivables:

	30 June 2019 Gross £m	30 June 2019 Provision £m	30 June 2019 Net £m	30 June 2018 Gross £m	30 June 2018 Provision £m	30 June 2018 Net £m
Not past due	**23.0**	**—**	**23.0**	19.6	—	19.6
Past due						
0 to 30 days	**3.8**	**—**	**3.8**	3.4	—	3.4
30 to 60 days	**1.3**	**—**	**1.3**	1.1	—	1.1
More than 60 days	**1.3**	**(0.1)**	**1.2**	0.9	(0.1)	0.8
	6.4	**(0.1)**	**6.3**	5.4	(0.1)	5.3
	29.4	**(0.1)**	**29.3**	25.0	(0.1)	24.9

Movement in provision for bad and doubtful debts

	30 June 2019 £m	30 June 2018 £m
Balance at beginning of year	**(0.1)**	—
Impairment losses recognised in the income statement	**—**	(0.1)
Balance at end of year	**(0.1)**	(0.1)

The average credit period taken for sales is 35 days (2018: 33 days). Trade and other receivables are non-interest bearing and generally on terms between 30 to 90 days. Trade receivables are provided for based on estimated irrecoverable amounts determined either by specific circumstances or by reference to historical default experience as described in note 2.

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.

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

18. Derivative financial instruments

30 June 2019

	Current Asset £m	Current Liability £m	Non-current Liability £m	Total £m
Derivatives carried at fair value through profit and loss				
Forward exchange contracts that are not designated in hedge accounting relationships	**—**	**(0.4)**	**—**	**(0.4)**
Derivatives that are designated and effective as hedging instruments carried at fair value				
Forward exchange contracts	**0.2**	**(1.6)**	**(0.1)**	**(1.5)**
	0.2	**(2.0)**	**(0.1)**	**(1.9)**

30 June 2018

	Current Asset £m	Current Liability £m	Non-current Liability £m	Total £m
Derivatives carried at fair value through profit and loss				
Forward exchange contracts that are not designated in hedge accounting relationships	0.2	(0.1)	—	0.1
Derivatives that are designated and effective as hedging instruments carried at fair value				
Forward exchange contracts	0.6	(0.4)	(0.1)	0.1
	0.8	(0.5)	(0.1)	0.2

Further details of derivative financial instruments are provided in note 23.

19. Trade and other payables

	30 June 2019 £m	30 June 2018 £m
Amounts falling due within one year		
Trade payables	**7.0**	7.0
Accruals and future contract liabilities	**31.7**	23.4
Other taxes and social security	**1.0**	1.1
Other payables	**2.1**	14.3
	41.8	45.8

At 30 June 2019, the Group had an average of 28 days of purchases (30 June 2018: 30 days) outstanding in trade payables (excluding accruals and deferred income). 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.

Other payables includes £nil (2018: £11.8m) relating to the outstanding consideration payable in respect of the Spring business combination set out in note 26.

20. Commitments

Contractual commitments

The Group has outstanding commitments for future minimum lease payments on land and buildings under non-cancellable operating lease, as well as other commitments, which fall due as follows:

	30 June 2019 £m	30 June 2018 £m
Total undiscounted future committed payments falling due:		
Within one year	**8.9**	9.1
Between one to five years	**25.3**	25.1
After more than five years	**49.4**	52.2
	83.6	86.4

The above committed payments represent rentals payable by the Company for its properties with renewal terms ranging between 1 and 19 years. The future minimum sub-lease payments expected to be received under non-cancellable sub-leases is £0.7m (2018: £0.4m).

Future capital expenditure

	30 June 2019 £m	30 June 2018 £m
Contracted for but not provided	**—**	5.8

Capital commitments at 30 June 2018 related predominantly to funds held in escrow in respect of the construction of the Group's now completed new global headquarters on the Cambridge Biomedical Campus.

21. Share capital and reserves

Share capital

	30 June 2019 £m	30 June 2018 £m
Authorised, issued and fully paid:		
205,671,564 (2018: 205,044,686) ordinary shares of 0.2 pence each	**0.4**	0.4

The Company has one class of ordinary shares which carries no right to fixed income. Share capital issued during the year arose from the exercise of share options and the issue of shares to the Equiniti Share Plan Trustees Limited. Share capital issued in the prior year also included the settlement of an element of contingent consideration.

Other reserves

Merger reserve

Comprises the premium on shares issued as consideration for acquisitions where conditions for merger relief have been satisfied.

Own shares

Represents shares in the Company held by the Equiniti Share Plan Trustees Limited. These shares are held in order to satisfy the Free Shares and Matching Shares elements of the SIP, further details of which are set out in note 24.

	30 June 2019		30 June 2018	
	Nominal value £'000	Number	Nominal value £'000	Number
Own shares	**1**	**484,811**	1	589,968

Translation reserve

Represents exchange differences on translation of overseas operations.

Hedging reserve

Comprises gains and losses recognised on cash flow hedges and the associated deferred tax assets.

22. Dividends

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Amounts recognised as distributions to the equity shareholders in the year:		
Final dividend for the year ended 30 June 2017 of 7.355 pence per share	**—**	15.1
Interim dividend for the year ended 30 June 2018 of 3.42 pence per share	**—**	7.0
Final dividend for the year ended 30 June 2018 of 8.58 pence per share	**17.6**	—
Interim dividend for the year ended 30 June 2019 of 3.55 pence per share	**7.3**	—
Total distributions to owners of the parent in the period	**24.9**	22.1

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

	Year ended 30 June 2019 £m
Proposed final dividend for the year ended 30 June 2019 of 8.58 pence per share	**17.6**

23. Financial instruments

Capital risk management

The capital structure of the Group comprises of cash and cash equivalents, a Revolving Credit Facility of £200m (with a £100m additional accordion option and an initial term of three years) 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 which 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.

Foreign currency risk

This 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 with the principal currency exposure being fluctuations in US Dollars (USD), Euros, Japanese Yen and Chinese Renminbi (RMB). Collectively these currencies make up approximately 90% of the Group's revenue and cash inflows. 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 Sterling leaving an overall net currency inflow in the Group's cash flows.

This remaining currency exposure is centrally managed with the objective being to secure a level of certainty of Sterling 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 yield curves 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 2019 Average rate	30 June 2019 Foreign currency million	30 June 2018 Average rate	30 June 2018 Foreign currency million
Sell US Dollars				
Less than 3 months	1.34	$8.9	1.30	$9.9
3 to 6 months	1.32	$11.5	1.33	$7.4
7 to 12 months	1.33	$8.3	1.35	$11.5
13 to 18 months	—	—	1.37	$5.3
	1.33	$28.7	1.34	$34.1
Sell Euros				
Less than 3 months	1.11	€11.8	1.12	€10.9
3 to 6 months	1.11	€13.2	1.12	€12.4
7 to 12 months	1.11	€17.4	1.12	€20.2
13 to 18 months	1.14	€1.4	1.12	€6.0
	1.11	€43.8	1.12	€49.5
Sell Yen				
Less than 3 months	145.26	¥430.7	143.22	¥370.3
3 to 6 months	143.23	¥484.8	144.72	¥423.1
7 to 12 months	141.58	¥954.5	147.28	¥975.0
13 to 18 months	141.99	¥241.0	145.87	¥299.3
	142.74	¥2,111.0	145.27	¥2,067.7
Sell Chinese Renminbi				
Less than 3 months	8.91	¥34.1	8.92	¥20.2
3 to 6 months	8.96	¥27.0	8.84	¥11.5
7 to 12 months	9.02	¥54.6	—	—
	8.97	¥115.7	8.88	¥31.7

23. Financial instruments continued

At 30 June 2019, the fair value of contracts held as cash flow hedges is a net liability of £1.5m (2018: net asset of £0.1m).

The movement recognised in other comprehensive income in the period:

	30 June 2019	30 June 2018
(Loss)/gain in the year	**(2.1)**	0.9
Recycled to profit and loss	**0.4**	(0.7)
(Loss)/gain recognised in other comprehensive income	**(1.7)**	0.2

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 a reasonably possible change in foreign exchange rates over a 12 month period.

The sensitivity analysis below only includes financial instruments denominated in non-functional currency and forward currency contracts outstanding at the reporting date and represents the impact of an immediate change in Sterling against other currencies.

	US Dollar currency impact		Euro currency impact		Yen currency impact		RMB currency impact	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
30 June 2019								
Income statement	**—**	**(0.2)**	**0.7**	**(0.8)**	**0.1**	**(0.5)**	**0.5**	**(0.7)**
Other comprehensive income	**1.2**	**(3.1)**	**2.8**	**(3.7)**	**0.6**	**(1.9)**	**0**	**(0.1)**
30 June 2018								
Income statement	0.5	(0.6)	0.6	(0.2)	0.3	(0.2)	0.3	(0.5)
Other comprehensive income	1.4	(2.9)	3.6	(1.3)	1.0	(1.3)	0.1	(0.1)

The sensitivity analysis is limited to the year end exposure and therefore does not reflect the exposure and inherent risk during the year.

Liquidity risk

This 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.

23. Financial instruments continued

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

	Less than six months £m	Between six months and one year £m	Over one year £m	Total £m
30 June 2019				
Trade and other payables	**30.6**	**0.4**	**—**	**31.0**
Derivative financial instruments	**52.1**	**35.4**	**3.0**	**90.5**

	Less than six months £m	Between six months and one year £m	Over one year £m	Total £m
30 June 2018				
Trade and other payables	41.3	2.2	—	43.5
Derivative financial instruments	42.7	33.3	11.4	87.4

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

Credit risk

This 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; however, there is not deemed to be a significant exposure 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's customer base is predominantly government-funded institutions, pharmaceutical companies conducting research, and local distributors. The perceived risk of default is deemed to be low.

Further information on the Group's trade receivable ageing and impairment can be found in note 17.

The Group generates significant levels of operational cash. Cash in excess of local operational requirements is remitted and managed centrally. Exposure to counterparty default risk is managed by limiting the concentration of funds and contracts held with individual financial institutions and ensuring funds are only placed with institutions or in products rated BBB- or above by Standard & Poor's.

Categories of financial instruments

	Carrying and fair value	
	30 June 2019 £m	30 June 2018 £m
Financial instruments held at amortised cost		
Trade receivables	**29.3**	24.9
Other receivables	**2.5**	2.0
Cash and cash equivalents	**87.1**	90.2
Trade and other payables*	**(31.0)**	(43.5)
Financial instruments held at fair value		
Derivative financial instruments	**(1.9)**	0.2
Investment	**0.8**	0.9

* 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.

23. Financial instruments continued

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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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: 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 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments	—	0.2	—	0.2
Investment	0.8	—	—	0.8
Total assets	0.8	0.2	—	1.0
Liabilities				
Derivative financial instruments	—	(2.1)	—	(2.1)
Total liabilities	—	(2.1)	—	(2.1)

30 June 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments	—	0.8	—	0.8
Investment	0.9	—	—	0.9
Total assets	0.9	0.8	—	1.7
Liabilities				
Derivative financial instruments	—	(0.6)	—	(0.6)
Total liabilities	—	(0.6)	—	(0.6)

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.

24. Share-based payments

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Expense arising from share-based payment transactions:		
Included in Selling, general and administrative expenses	5.5	2.9
Included in Research and Development expenses	1.0	0.5
	6.5	3.4
Equity settled share-based payment expense	6.2	3.0
Cash settled share-based payment expense*	0.3	0.4
	6.5	3.4

* The total liability as at 30 June 2019 was £0.6m (30 June 2018: £0.5m) of which £0.2m (2018: £nil) relates to options which have vested.

Equity settled share option schemes
The Group operates a number of share schemes for certain employees of the Group as follows:

- 2005 and 2015 Share Option Scheme (ISO/Unapproved) (SOS)
- Company Share Option Plan 2009 (CSOP);
- Long Term Incentive Plan (LTIP);
- Annual bonus plan – deferred share award (DSA);
- Share Incentive Plan (SIP);
- Non-Executive Directors (NED) share award; and
- 2018 Employee Share Scheme (AbShare)

Options or conditional share grants under each scheme have been aggregated.

The vesting period ranges from one to four years. Options which remain unexercised after a period of 10 years from the date of grant expire. Options are forfeited if the employee leaves the Group before they vest, save where the employee is deemed to be a 'good leaver' in which case options awarded are pro-rated to the leaving date.

Discretionary awards
Share option plans: SOS and CSOP

	Year ended 30 June 2019		Year ended 30 June 2018	
	Number	Weighted average exercise price pence	Number	Weighted average exercise price pence
Outstanding at beginning of year	1,386,655	644.3	1,456,393	491.7
Granted	—	—	445,900	1,020.0
Forfeited	(164,220)	866.6	(161,017)	776.0
Exercised	(274,487)	525.6	(354,621)	430.2
Outstanding at end of year	947,948	640.1	1,386,655	644.3
Number of options exercisable at end of year	281,438	536.7	457,389	446.2

		Year ended 30 June 2019		Year ended 30 June 2018	
Analysed by range of exercise price:	Grant year	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
180.8p–464.0p	prior to 2016	256,955	4.3 years	437,430	5.4 years
598.0p	2016	155,327	6.3 years	233,229	7.3 years
851.0p	2017	214,798	7.4 years	322,246	8.4 years
1,020.0p	2018	320,868	8.4 years	393,750	9.4 years
		947,948	6.7 years	1,386,655	7.5 years

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average fair value of options granted	—	190.7p
Weighted average share price at date of exercise	1,310.5p	1,083.7p

24. Share-based payments continued

Options issued under the SOS carry market-based performance conditions, whereby they will vest where the percentage growth in Abcam plc shares over the vesting period is equal or greater than the percentage growth of the FTSE AIM All-Share Index.

There were not any grants issued under the SOS in the year ended 30 June 2019. The inputs into the Monte Carlo model for options issued during the prior year were as follows:

	Year ended 30 June 2019	Year ended 30 June 2018
Share price at grant (pence)	—	1,042.0
Fair value at valuation date (pence)	—	175.8–217.9
Exercise price (pence)	—	1,020.0
Expected volatility	—	23%–24%
Contractual life	—	5–7 years
Expected dividend yield	—	0.98%
Risk-free interest rate	—	0.43%–0.61%

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.

Share award plans: LTIP and DSA

	Year ended 30 June 2019	Year ended 30 June 2018
Outstanding at beginning of year	1,022,757	965,312
Granted	483,339	267,330
Forfeited	(141,797)	(48,210)
Exercised	(376,172)	(161,675)
Outstanding at end of year	988,127	1,022,757
Number of options exercisable at end of year	63,996	126,742

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average fair value of awards granted	1,245.1p	989.9p
Weighted average share price at date of exercise	1,304.4p	1,067.8p
Weighted average remaining contractual life	4.3 years	7.4 years

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

	Year ended 30 June 2019		Year ended 30 June 2018	
	LTIP	DSA	LTIP	DSA
Share price at grant (pence)	1,251.0	1,337.0	1,042.0	970.0
Expected volatility	26%	24%	23%	23%
Contractual life (years)	3 years	3 years	3 years	3 years
Expected dividend yield	0.81%	0.81%	0.98%	1.05%
Risk-free interest rate	0.91%	0.75%	0.50%	0.55%

The inputs to the Black-Scholes model, such as expected volatility, are based on the same calculation as those for the Monte Carlo simulation.

LTIP: Full details of the performance conditions for the LTIP are shown in note (a) to the Annual Report on Remuneration on page 81. All awards are subject to achievement of the performance conditions over a three year period and can be exercised over the following seven years. Save as permitted in the LTIP rules, awards lapse on an employee leaving the Company.

DSA: For those employees entitled to participate in the annual bonus plan, a portion of the bonus is awarded in the form of shares for which there is a compulsory holding period of two years and a requirement for continued employment before these fully vest to the employees (deferred shares). The number of deferred shares granted is dependent on certain performance criteria, comprising a one-year profit target and achievement of strategic and personal objectives.

24. Share-based payments continued

All employee share schemes: AbShare, SIPs

AbShare

In Autumn 2018, the Company launched a new share scheme (AbShare) where all employees globally, excluding Executive Directors, are eligible to participate. Each employee who participates is required to contribute 5% of their salary spread across three years (therefore equating to 1.67% per annum). Upon vesting in October 2021, and subject to certain performance conditions being met, the funds contributed will be used as consideration for the issue of the predetermined number of shares to the employee with the Company issuing a further 10 shares for each share issued.

	Year ended 30 June 2019
Outstanding at beginning of year	—
Granted	1,694,429
Forfeited	(130,262)
Exercised	—
Outstanding at end of year	**1,564,167**
Number of options exercisable at end of year	—

	Year ended 30 June 2019
Weighted average fair value of awards granted	1,131.4p
Weighted average remaining contractual life	2.4 years

Fair values of the awards are calculated using the Black-Scholes model. The inputs into the models for awards granted in the current year were as follows:

	Year ended 30 June 2019
Share price at grant (pence)	1,251.0
Expected volatility	26%
Contractual life (years)	3 years
Expected dividend yield	0.81%
Risk-free interest rate	0.91%

The inputs to the Black-Scholes model, such as expected volatility, are based on the same calculation as those for other schemes.

24. Share-based payments continued

SIP

Up until October 2018, all UK-based employees were eligible to participate in the SIP whereby employees could purchase shares in the Company. These shares are referred to as 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 (Matching Shares), provided the employee remains employed by the Company for a period of at least three years.

Employees must withdraw their shares from the plan upon leaving the Company and will not be entitled to the Matching Shares if they leave within three years of purchasing the Partnership Shares.

In addition to this, also up until October 2018, the Company also awarded shares to employees (Free Shares) with a value of up to £3,600 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.

The fair value of 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.

	Number of Free Shares		Number of Matching Shares	
	Year ended 30 June 2019	Year ended 30 June 2018	**Year ended 30 June 2019**	Year ended 30 June 2018
Outstanding at beginning of year	**447,841**	515,393	**115,928**	134,201
Granted during year	**—**	93,078	**7,323**	31,860
Forfeited during year	**(18,982)**	(42,269)	**(7,227)**	(17,072)
Exercised during year	**(77,672)**	(118,361)	**(27,485)**	(33,061)
Outstanding at end of year	**351,187**	447,841	**88,539**	115,928
Exercisable at end of year	**167,425**	215,268	**48,333**	72,009

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average fair value of options granted	**—**	1,042.0p

Other awards: NED share award

A component of the Non-Executive Directors' remuneration is delivered as a fixed number of fully paid ordinary shares in the first open period following the announcement of annual results of the financial year to which the award relates.

Further details are included in note (b) to the Annual Report on Remuneration on page 81.

25. Retirement benefit schemes

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Total charge to income statement in respect of defined contribution schemes	3.5	2.9

Defined contribution schemes
The UK-based employees of the Group have the option to join a defined contribution pension scheme managed by a third party pension provider. For each member the Company contributes a fixed percentage of salary to the scheme.

Employees of the Group's subsidiaries in the US, Japan, China and Hong Kong are members of state-managed retirement benefit schemes. Depending on location, the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

As at 30 June 2019 contributions of £0.3m (2018: £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

26. Business combinations

Year ended 30 June 2019
On 24 January 2019, the Group completed the acquisition of 100% of the share capital of Calico Biolabs Inc (Calico), a developer of recombinant rabbit monoclonal antibodies for diagnostic and biopharmaceutical companies, for total cash consideration of $4.6m (£3.6m), of which $0.9m (£0.7m) is deferred for 12 months from the acquisition date.

The acquisition strategically expands Abcam's leading position in rabbit monoclonal antibodies, bringing a small catalogue of ready-made antibodies for immunohistochemistry (IHC) applications in addition to custom development services.

The provisional fair value of identifiable assets acquired was as follows:

	£m
Non-current assets	
Intangible assets	0.6
Net current assets	0.2
Total identifiable assets acquired	0.8
Goodwill	2.8
Total consideration	3.6

Net current assets comprised cash of £0.1m, trade receivables of £0.2m and trade payables of £0.1m.

Since the date of acquisition to 30 June 2019, the acquisition contributed £0.3m to the Group's revenue and a loss before tax of £0.1m over the same period.

Had Calico been consolidated from 1 July 2018, Group revenues and profit before tax for the year ended 30 June 2019 would have increased by £0.6m and decreased by £0.4m, respectively.

26. Business combinations continued

Year ended 30 June 2018
On 22 January 2018 the Group entered into a definitive licence agreement with Roche for consideration of $17.6m (£13.0m). Under the terms of the agreement, the Group obtained the exclusive rights to the product portfolio of Spring Bioscience Corporation ('Spring'), in the research use only (RUO) field as well as the exclusive RUO rights for all future products developed for an initial period of 10 years. As part of the agreement, existing amounts of inventory also transferred to the Group.

Consideration of $2.1m (£1.5m) was exchanged in May 2018. Deferred consideration of $15.5m (£11.8m) was paid in September 2018 and was reflected as a liability of £11.8m at 30 June 2018.

The fair value identifiable assets recognised at the date of acquisition was as follows, with no subsequent change having been made since 30 June 2018:

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

(i) Comprises £10.4m attributable to the licence agreement and £0.5m to customer and distributor relationships.
(ii) Acquisition related expenses totalling £0.2m are included within Selling, general and administrative expenses and are an adjusting item (note 7).

27. Related party transactions

Remuneration of Directors and key management personnel

Key management personnel is comprised of the Non-Executive Directors, the Executive Directors and the Executive Leadership Team.

The Non-Executive Directors' fees 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 Annual Report on Remuneration on pages 80 and 81.

	Directors' remuneration		Key management personnel (including Directors)	
	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m	**Year ended 30 June 2019 £m**	Year ended 30 June 2018 £m
Short-term employee benefits and fees	**1.6**	1.6	**4.3**	4.1
Post-employment benefits	**0.1**	0.1	**0.2**	0.2
Share-based payments	**1.6**	0.8	**2.1**	1.4
	3.3	2.5	**6.6**	5.7

Directors' transactions

During the year, the Group made purchases from companies related to Directors of less than £0.1m (2018: £0.4m) of which the balance outstanding at 30 June 2019 was less than £0.1m (2018: £0.1m). Total sales to companies related to the Directors were less than £0.1m (2018: less than £0.1m), of which less than £0.1m (2018: less than £0.1m) was outstanding as at 30 June 2019.

Company balance sheet
As at 30 June 2019

	Note	30 June 2019 £m	30 June 2018 £m
Non-current assets			
Goodwill	C4	**7.8**	7.8
Intangible assets	C5	**56.8**	53.5
Property, plant and equipment	C6	**26.8**	16.6
Investments	C7	**140.7**	136.0
Deferred tax asset	C8	**2.8**	2.4
Loan receivable	C9	**27.4**	51.3
		262.3	267.6
Current assets			
Inventories	C10	**24.3**	21.5
Trade and other receivables	C11	**44.2**	38.5
Loan receivable	C9	**26.9**	—
Current tax receivable		**5.4**	—
Derivative financial instruments		**0.2**	0.8
Cash and cash equivalents		**57.9**	67.2
		158.9	128.0
Total assets		**421.2**	395.6
Current liabilities			
Trade and other payables	C12	**(40.7)**	(44.7)
Current tax liabilities		**—**	(1.4)
Derivative financial instruments		**(2.0)**	(0.5)
Borrowings with Group companies		**(14.5)**	(7.0)
		(57.2)	(53.6)
Net current assets		**101.7**	74.4
Total assets less current liabilities		**364.0**	342.0
Non-current liabilities			
Deferred tax liabilities	C8	**(3.9)**	(0.4)
Derivative financial instruments		**(0.1)**	(0.1)
		(4.0)	(0.5)
Total liabilities		**(61.2)**	(54.1)
Net assets		**360.0**	341.5
Equity			
Share capital	C13	**0.4**	0.4
Share premium account		**27.0**	25.6
Merger reserve	C13	**68.1**	68.1
Own shares	C13	**(2.8)**	(3.2)
Hedging reserve	C13	**(1.3)**	0.1
Retained earnings		**268.6**	250.5
Total shareholders' funds		**360.0**	341.5

The Company reported a profit for the year ended 30 June 2019 of £37.5m (2018: £57.8m).

The financial statements of the Company (registered number 03509322) were approved by the Board on 6 September 2019 and signed on its behalf by:

Gavin Wood
Director

Company statement of changes in equity
For the year ended 30 June 2019

	Note	Share capital £m	Share premium account £m	Merger reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total shareholders' funds £m
At 1 July 2017		0.4	23.9	68.1	(3.6)	(0.1)	211.7	300.4
Profit for the year		—	—	—	—	—	57.8	57.8
Other comprehensive income		—	—	—	—	0.2	—	0.2
Total comprehensive income		—	—	—	—	0.2	57.8	58.0
Issue of ordinary shares		—	1.7	—	0.4	—	(0.5)	1.6
Share-based payments inclusive of deferred tax		—	—	—	—	—	3.7	3.7
Purchase of own shares		—	—	—	—	—	(0.1)	(0.1)
Equity dividends	C15	—	—	—	—	—	(22.1)	(22.1)
Balance as at 30 June 2018		0.4	25.6	68.1	(3.2)	0.1	250.5	341.5
Profit for the year		**—**	**—**	**—**	**—**	**—**	**37.5**	**37.5**
Other comprehensive income		**—**	**—**	**—**	**—**	**(1.4)**	**—**	**(1.4)**
Total comprehensive income		**—**	**—**	**—**	**—**	**(1.4)**	**37.5**	**36.1**
Issue of ordinary shares		**—**	**1.4**	**—**	**0.4**	**—**	**(0.4)**	**1.4**
Share-based payments inclusive of deferred tax		**—**	**—**	**—**	**—**	**—**	**6.1**	**6.1**
Purchase of own shares		**—**	**—**	**—**	**—**	**—**	**(0.2)**	**(0.2)**
Equity dividends	C15	**—**	**—**	**—**	**—**	**—**	**(24.9)**	**(24.9)**
Balance as at 30 June 2019		**0.4**	**27.0**	**68.1**	**(2.8)**	**(1.3)**	**268.6**	**360.0**

Notes to the Company financial statements
For the year ended 30 June 2019

C1. Basis of preparation
The Company is incorporated in the United Kingdom and the separate financial statements of the Company have been presented as required by the Companies Act 2006.

The financial statements have been prepared under the historical cost convention (as modified to include revaluation of certain financial instruments to fair value) and on the going concern basis (see note 1 to the consolidated financial statements). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' except for the departure explained in note C4 and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- Business combinations.
- Share-based payments.
- Financial instruments.
- Fair value measurement.
- Statement of Cash Flows.
- Certain related party transactions including those with subsidiaries.
- Certain plant, property and equipment disclosure.
- The effects of new but not yet effective IFRSs.

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

The adopted principal accounting policies, which have been applied consistently, are the same as those set out in note 3 to the consolidated financial statements except as noted below in respect of those which are Company specific.

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

Critical accounting judgements and estimates
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. The critical accounting judgements and estimates have been set out in note 4 of the consolidated financial statements. These judgements have been applied consistently within the Company financial statements.

C2. Income statement
In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement or statement of comprehensive income for the year.

C3. Employees and remuneration

Details of Directors' remuneration, share-based payments and pension entitlements in note 27 to the consolidated financial statements and the Annual Report on Remuneration on pages 80 and 81 form part of these Company financial statements. Information on the main employee share-based payments is given in note 24 of the consolidated financial statements. Details of the key management personnel are given in note 27 of the consolidated financial statements.

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

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
Management, administrative, marketing and distribution	**436**	423
Laboratory	**78**	54
	514	477

Their aggregate remuneration comprised:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	**26.6**	22.5
Social security costs	**3.7**	3.4
Other pension costs	**2.1**	1.8
Charge in respect of share options and awards granted	**4.4**	2.5
Total staff costs	**36.8**	30.2
Capitalised staff costs	**(1.5)**	(1.9)
Net staff costs	**35.3**	28.3

C4. Goodwill

	30 June 2019 £m	30 June 2018 £m
Cost		
At beginning of year	**7.8**	7.7
Additions	**—**	0.1
At end of year	**7.8**	7.8
Accumulated impairment losses		
At beginning and end of year	**—**	—
Carrying amount	**7.8**	7.8

FRS 101 requires goodwill to be amortised, however, the Company has chosen not to do so but instead an annual impairment test is performed with any impairment identified being recognised as a charge to the income statement. This is a departure from the Companies Act 2006, for the overriding purpose of providing a true and fair view.

A finite life for the goodwill has not been identified; however, the effect of amortising over a useful life of 20 years would be an income statement charge of £0.4m (2018: £0.4m) and a reduction of £1.6m (2018: £1.2m) in the carrying value of goodwill in the balance sheet.

Impairment review

Goodwill is tested for impairment on an annual basis in accordance with IAS 36 'Impairment of assets' or more frequently if there are any indications that the goodwill might be impaired. These reviews are carried out using the same criteria as set out in note 12 to the consolidated financial statements.

A sensitivity analysis has been performed on each base case assumption used for assessing the goodwill with other variables held constant. Consideration of the sensitivities to key assumptions can evolve from one financial year to the next. The Directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value in use.

C5. Intangible assets

	Acquisition intangibles						
	Customer relationships and distribution rights £m	Patents, technology and know-how £m	Licence fees £m	Sub-total £m	Internally developed technology £m	Software £m	Total £m
Cost							
At 1 July 2018	2.0	0.4	10.7	13.1	15.3	44.2	72.6
Additions	—	—	—	—	7.9	13.3	21.2
Disposals in year	(0.6)	—	—	(0.6)	—	(6.9)	(7.5)
At 30 June 2019	**1.4**	**0.4**	**10.7**	**12.5**	**23.2**	**50.6**	**86.3**
Accumulated amortisation							
At 1 July 2018	1.5	0.4	0.7	2.6	4.3	12.2	19.1
Charge for the year	0.2	—	1.0	1.2	2.1	1.8	5.1
Impairment	—	—	—	—	—	12.8	12.8
Disposals in year	(0.6)	—	—	(0.6)	—	(6.9)	(7.5)
At 30 June 2019	**1.1**	**0.4**	**1.7**	**3.2**	**6.4**	**19.9**	**29.5**
Carrying amount							
At 30 June 2018	0.5	—	10.0	10.5	11.0	32.0	53.5
At 30 June 2019	**0.3**	**—**	**9.0**	**9.3**	**16.8**	**30.7**	**56.8**
Included in carrying amount – Assets under construction							
30 June 2018	—	—	—	—	1.9	29.8	31.7
30 June 2019	**—**	**—**	**—**	**—**	**3.9**	**13.3**	**17.2**

Individually material intangible assets

The Group's new ERP system is considered to be an individually material intangible asset, of which £15.6m is included within software which is being amortised over a five year period with a remaining amortisation period of between two and five years. The remainder is the balance shown as assets under construction. Licence fees assets relate to the Company's acquisition of an exclusive licence agreement with Roche as described in note 26 to the consolidated financial statements.

Following achievement of the most recent implementation milestone of the ERP implementation project, a review was undertaken of historical expenditure incurred to date on outstanding modules included within software. It has been concluded that as a result of changes in the scope and nature of the programme, assets of £12.8m have been impaired as further described in note 7 to the consolidated financial statements.

C6. Property, plant and equipment

	Laboratory equipment £m	Office fixtures, fittings and other equipment £m	Leasehold Improvements £m	Total £m
Cost				
At 1 July 2018	7.2	4.9	15.2	27.3
Additions	**3.8**	**3.2**	**4.9**	**11.9**
Disposals	**(0.4)**	**(3.3)**	**—**	**(3.7)**
At 30 June 2019	**10.6**	**4.8**	**20.1**	**35.5**
Accumulated depreciation				
At 1 July 2018	6.0	4.7	—	10.7
Charge for the year	**0.9**	**0.4**	**0.4**	**1.7**
Disposals	**(0.4)**	**(3.3)**	**—**	**(3.7)**
At 30 June 2019	**6.5**	**1.8**	**0.4**	**8.7**
Net book value				
30 June 2018	1.2	0.2	15.2	16.6
30 June 2019	**4.1**	**3.0**	**19.7**	**26.8**
Included in net book value – Assets under construction				
30 June 2018	—	—	15.2	15.2
30 June 2019	**—**	**—**	**—**	**—**

C7. Investments

Investments in subsidiary undertakings		Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
At beginning of year		**136.0**	137.2
Capital contribution	(i)	**1.9**	0.5
Purchase of shares in subsidiary undertakings	(ii)	**2.8**	—
Impairment		**—**	(1.7)
At end of year		**140.7**	136.0

(i) Represents amounts for share based awards issued by the Company to employees of its subsidiaries.
(ii) In January 2019, the Company acquired 2.8m new shares in Abcam US Group Holdings Inc, a subsidiary company, for consideration of $3.7m.

Subsidiary undertakings
Directly held

	Registered office	Country of incorporationor registration	Principal activity
Abcam Australia Pty Limited	Level 16, 414 La Trobe Street, Melbourne, VIC 3000	Australia	Sales and distribution
Abcam KK	Sumitomo Fudousan, Ningyocho Bldg 2F, 2-2-1 Nihonbashi Horidomecho Chuo-ku Tokyo 103-0012	Japan	Sales and distribution
Abcam (Hong Kong) Limited	307, 3/F, Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories	Hong Kong	Sales and distribution
Abcam Taiwan Company Limited	15F, No.2-1, Sec. 3, Minquan E. Road., Zhongshan District, Taipei City, Taiwan	Taiwan	Sales and distribution
Abcam (Netherlands) B.V.	Kingsfordweg 151, 1043GR Amsterdam	Netherlands	Sales and distribution
Abcam US Group Holdings Inc	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	Holding company
Abcam Singapore Pte. Limited	77 Robinson Road, #13-00 Robinson 77, Singapore, 068896	Singapore	Sales and distribution
AbShare Share Plan Limited	Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX	England	Employee services
Ascent Scientific Limited	Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX	England	Dormant

C7. Investments continued

Subsidiary undertakings continued

Indirectly held

	Registered office	Country of incorporationor registration	Principal activity
Abcam (Hangzhou) Biotechnology Co., Limited	1418 Moganshan Road, Hangzhou Zhejiang, 310011	China	R&D and manufacturing
Abcam Trading (Shanghai) Co., Limited	Room 5401, Floor 4, Building 5, No. 338 Galileo Road, Pudong New Area, Shanghai	China	Sales and distribution
Abcam Inc.	1 Kendall Square, Suite B2304, Cambridge, MA, 02139-1517	USA	Sales and distribution
Abcam LLC	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	Holding company
AxioMx Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Epitomics Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Firefly BioWorks Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
MitoSciences Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Epitomics Holdings, Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	Holding company
Calico Biolabs Inc.	1181 Quarry Ln, Pleaston, CA 94566	USA	R&D and manufacturing
Abcam (US) Limited	Discovery Drive, Cambridge Biomedical Campus, Cambridge CB2 0AX	England	Holding company

The Group's holdings in subsidiaries are all through ordinary shares and are all 100% owned.

Subsidiary undertakings exempt from audit

The following subsidiaries, which are incorporated in England and Wales, are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of that Act:

Name	Company registration number
AbShare Share Plan Limited	06706259
Abcam (US) Limited	08151375

C8. Deferred tax

	Year ended 30 June 2019				Year ended 30 June 2018			
	Accelerated capital allowances £m	Share-based payment £m	Other temporary differences £m	Total £m	Accelerated capital allowances £m	Share-based payment £m	Other temporary differences £m	Total £m
At beginning of year	**(0.4)**	**2.4**	**—**	**2.0**	(0.2)	1.7	0.1	1.6
(Charge)/credit to income statement	**(3.5)**	**—**	**0.5**	**(3.0)**	(0.2)	—	(0.1)	(0.3)
(Charge)/credit to equity	**—**	**(0.1)**	**—**	**(0.1)**	—	0.7	—	0.7
At end of year	**(3.9)**	**2.3**	**0.5**	**(1.1)**	(0.4)	2.4	—	2.0

C8. Deferred tax continued

Deferred tax balances are comprised as follows:

	30 June 2019 £m	30 June 2018 £m
Deferred tax assets to be recovered		
Within 12 months	**2.0**	0.7
After more than 12 months	**0.8**	1.7
	2.8	2.4
Deferred tax liabilities to be recovered		
Within 12 months	**—**	—
After more than 12 months	**(3.9)**	(0.4)
	(3.9)	(0.4)
Deferred tax assets (net)	**(1.1)**	2.0

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability or asset is expected to be realised based on rates enacted or substantively enacted by the reporting date.

C9. Loans receivable

	30 June 2019 £m	30 June 2018 £m
Amounts owed by subsidiary undertakings		
Within 12 months	**26.9**	—
After more than 12 months	**27.4**	51.3
	54.3	51.3

Comprising:

	Borrower	Principal $m	Repayment date	Interest rate	30 June 2019 £m	30 June 2018 £m
Term loan 1	Abcam US Group Holdings Inc.	33.0	20 Dec 2019	7.34%	**26.0**	25.1
Term loan 2	Abcam US Group Holdings Inc.	34.0	20 Dec 2022	8.69%	**26.8**	25.8
Other loans	Various	Various	Various	Various	**1.5**	0.4
					54.3	51.3

Changes in the values of each loan include foreign exchange movements and settlements.

C10. Inventories

	30 June 2019 £m	30 June 2018 £m
Raw materials	**1.0**	0.3
Work in progress	**0.3**	0.2
Finished goods	**23.0**	21.0
	24.3	21.5

C11. Trade and other receivables

	30 June 2019 £m	30 June 2018 £m
Amounts receivable for the sale of goods and services	**7.1**	6.7
Amounts owed by subsidiary undertakings	**28.1**	21.5
Other receivables*	**6.6**	8.4
Prepayments	**2.4**	1.9
	44.2	38.5

* Other receivables includes £0.7m (2018: £5.2m) held in escrow to fund any further potential payments to contractors in respect of the Group's now completed new global headquarters at the Cambridge Biomedical Campus.

The carrying amount of trade and other receivables approximates their fair value.

C12. Trade and other payables

	30 June 2019 £m	30 June 2018 £m
Trade payables	**6.0**	5.9
Amounts owed to subsidiary undertakings	**8.9**	6.9
Accruals and future contract liabilities	**24.5**	19.1
Other taxes and social security	**1.0**	1.0
Other payables*	**0.3**	11.8
	40.7	44.7

* 2018: Comprised £11.8m of deferred consideration payable to Roche in respect of the acquisition of Spring described in note 26 of the Group financial statements.

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

C13. Share capital and reserves

Details of share capital and reserves are set out in note 21 to the Group financial statements.

C14. Commitments

The Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 June 2019 £m	30 June 2018 £m
Total undiscounted future committed payments falling due:		
Within one year	**4.7**	5.3
Between one and five years	**16.3**	17.6
After five years	**48.2**	52.0
	69.2	74.9

The above committed payments represent rentals payable by the Company for its properties with renewal terms of 19 years.

Future capital expenditure

	30 June 2019 £m	30 June 2018 £m
Contracted for but not provided	**—**	5.8

C15. Dividends

Details of amounts recognised as distributions to shareholders in the year and those proposed are set out in note 22 to the consolidated financial statements.

C16. Related party transactions

Directors' transactions

The remuneration of the Directors is set out in the Annual Report on Remuneration on pages 80 and 81. Related party transactions relating to Directors of the Company are shown in note 27 to the consolidated financial statements.

Five year record – unaudited

	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m	2014/15 £m
Income statement – Adjusted performance measures					
Revenue	**259.9**	233.2	217.1	171.7	144.0
Percentage change	**11.4%**	7.4%	26.4%	19.2%	12.5%
Adjusted EBITDA	**92.4**	88.3	73.3	60.0	54.1
Depreciation and amortisation	**(8.8)**	(7.0)	(8.9)	(6.4)	(4.9)
Adjusted operating profit	**83.6**	81.3	64.4	53.6	49.2
Adjusted profit before tax	**83.9**	81.6	64.6	53.8	49.6
Taxation	**(16.5)**	(14.9)	(12.6)	(8.6)	(9.8)
Adjusted profit after tax	**67.4**	66.7	52.0	45.2	39.8
Adjusted earnings per share					
Basic	**32.9p**	32.7p	25.7p	22.5p	19.9p
Diluted	**32.6p**	32.4p	25.5p	22.4p	19.8p
Free Cash Flow	**34.3**	26.8	41.3	31.7	32.7
Return on capital employed* (ROCE)	**20.8%**	22.2%	19.6%	18.1%	21.5%

* The Group calculates ROCE on a pre-tax basis using adjusted operating profit. Capital employed is based on total assets less current liabilities.

Alternative performance measures

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

- CER is a measure which allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements which are outside of management's control.
- EBITDA is a metric used to provide an approximation of cash generation from operating activities and is reconciled to its IFRS equivalent profit metric in note 7 to the consolidated financial statements.
- Margin percentages (which are calculated by dividing the relevant profit figure by revenue) for each of the relevant profit metrics provide management with an insight into relative year-on-year performance.
- Adjusted profit measures, as described in note 1(c) to the consolidated financial statements, are believed by the Directors to enable a reader to obtain a fuller understanding of underlying performance since they exclude items which are not reflective of the normal course of business. Furthermore, such measures are reflective of how performance is measured internally including targets against which compensation is determined. Adjusted profit measures are derived and reconciled to their reported IFRS equivalent on the face of the consolidated income statement as well as in note 7 to the consolidated financial statements.

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

  Adjusting items (which are excluded to arrive at adjusted performance measures) are also described on the face of the income statement and in note 7 to the consolidated financial statements.
- Adjusted earnings per share measures are derived from adjusted profit before tax with the rationale for their use being the same as for adjusted profit metrics and are reconciled to their IFRS equivalent in note 11 to the consolidated financial statements.
- Free Cash Flow is defined on the face of the consolidated cash flow statement and provides management with an indication of the amount of cash available for discretionary investing or financing after removing capital related items.

Technical glossary

Agonists, Antagonists, Activators and Inhibitors (AAAI)
Biochemicals which activate or inhibit biological pathways.

Affinity Binder
A reagent that binds specifically to an antigen – antibodies are a subset of affinity binders.

Amino acids
The basic building blocks of proteins and peptides.

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.

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.

Biological therapeutics
Any pharmaceutical drug product manufactured in, extracted from, or semi-synthesised from biological sources. Different from totally synthesised pharmaceuticals, they include vaccines, blood, blood components, allergenics, somatic cells, gene therapies, tissues, recombinant therapeutic protein, and living cells used in cell therapy.

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.

CRISPR CAS9
An experimental technique allowing effective and specific editing of genetic sequences.

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.

Epigenetics
The study of changes in organisms caused by modification of gene expression rather than alteration of the genetic code itself.

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.

Immunohistochemistry (IHC)
The process of selectively imaging antigens (proteins) in cells of a tissue section by exploiting the principle of antibodies binding specifically to antigens in biological tissues

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.

In vitro diagnostics (IVD)
Tests done on samples such as blood or tissue that have been taken from the human body. In vitro diagnostics can detect diseases or other conditions, and can be used to monitor a person's overall health to help cure, treat, or prevent diseases.

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.

M-phase phospho-proteins
A family of proteins with diverse roles in cellular signalling and gene expression.

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 or from an expression vector. 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.

Next generation sequencing
An experimental technique allowing high throughput analysis of genetic sequences. Used by Abcam to analyse the immune response to select the best monoclonal antibodies for a given target or application.

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.

Peptides
Short chains of amino acids.

Phage Display
A technique for affinity binder discovery using viruses and bacteria in vitro, rather than the immune system of a live animal.

Polyclonal antibodies
Antibodies that target the same antigen but are derived from different cell lineages. Polyclonal antibodies bind to different sites on the antigen.

Polycomb proteins
A family of proteins first discovered in fruit flies that regulate epigenetic processes to drive cellular differentiation, critical in development.

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.

RUO
Research Use Only

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.

Transactional (or Touchpoint) Net Promoter Score or tNPS
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.

Corporate directory

Registered office
Discovery Drive
Cambridge Biomedical Campus
Cambridge CB2 0AX
UK

Websites
www.abcam.com
www.abcamplc.com

Registered number
3509322

Interim Company Secretary
Marc Perkins

Nominated advisor and joint broker
J.P. Morgan Cazenove
25 Bank Street
London E14 5JP
UK

Joint broker
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT
UK

Independent auditor
PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St John's Innovation Park
Cowley Rd
Cambridge CB4 0DS
UK

Public relations advisor
FTI
200 Aldersgate
London EC1A 4HD
UK

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
UK

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.

Investor relations
Discovery Drive
Cambridge Biomedical Campus
Cambridge CB2 0AX
UK

Email: corporate@abcam.com
Phone: +44 (0)1223 696000
Website: www.abcamplc.com

Financial calendar

Financial year end	30 June 2019
Full year results announced	9 September 2019
Ex-dividend date for final dividend	7 November 2019
Record date for final dividend	8 November 2019
Annual General Meeting	13 November 2019
Final dividend payment	29 November 2019

The Abcam Group's commitment to environmental issues is reflected in the production of this Annual Report.

The paper used in this report is elemental chlorine free and is FSC® accredited. It is printed to ISO 14001 environmental procedures, using vegetable based inks.

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Designed by Gather
+44 (0)20 7610 6140
www.gather.london

abcam

Abcam plc
Discovery Drive
Cambridge Biomedical Campus
Cambridge CB2 0AX
UK

Email: corporate@abcam.com
Phone: +44 (0)1223 696000
Fax: +44 (0)1223 215215