Interim Results

Released : 04 Mar 2014

RNS Number : 4150B
ABCAM Plc
04 March 2014

For immediate release 4 March 2014

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

Interim Results for the Six Months Ended 31 December 2013

Abcam plc (AIM: ABC), a global leader in the supply of innovative protein research tools, is pleased to announce its interim results for the six months ended 31 December 2013.

Highlights

- Catalogue revenue increased by 9.1% to £56.8m (H1 2013: £52.1m), representing 9.3% on a constant currency basis
- Total revenue increased by 8.1% on a reported and constant currency basis to £61.9m (H1 2013: £57.3m)
- Gross margin improved to 70.9% (H1 2013: 70.2%), and adjusted operating profit* increased by 4.8% to £22.8m (H1 2013: £21.8m)
- Adjusted diluted earnings per share (EPS)* increased by 6.5% to 8.74p (H1 2013: 8.21p)
- Closing cash and term deposits of £38.2m (30 June 2013: £38.3m), with no bank debt outstanding
- Good progress in implementing key organic growth initiatives
- Interim dividend increased by 9.8% to 2.13p (2013: 1.94p)

* Excluding £1.7m (H1 2013: £1.7m) of acquisition-related intangible amortisation costs and no one-off charges (H1 2013: £122,000) associated with the integration of acquired businesses into the Group and, in the case of EPS, the related tax effect.

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

"Abcam continues to deliver on its strategic objectives and we remain well positioned to drive future growth. During the first half we made significant progress with our organic growth initiatives, including the appointment of key recruits, changes to our organisational structure and IT improvements with the intention of driving innovation and better serving our customers.

"In addition we recently opened a Shanghai office as part of our strategy to improve distribution in rapidly growing markets. These are exciting times for Abcam as we continue to evolve in order to deliver profitable revenue growth not only in the short term but also in the medium to long term."

For further information please contact:

Abcam Jonathan Milner, Chief Executive Officer Jeff Iliffe, Chief Financial Officer www.abcam.com	**+ 44 (0) 1223 696000**
Numis Securities - Nominated Advisor and Joint Broker Michael Meade / Freddie Barnfield - Nominated Advisor James Black - Corporate Broking	**+ 44 (0) 20 7260 1000**
Peel Hunt LLP - Joint Broker Andy Crossley - Corporate Broking	**+ 44 (0) 207 418 8900**
Buchanan Mark Court / Fiona Henson / Sophie Cowles	**+ 44 (0) 20 7466 5000**

Notes for editors

About Abcam plc

Abcam plc is a leading provider of protein research tools and services, with a wide range of products and expert technical support, enabling scientists to analyse living cells at the molecular level to improve the understanding of health and disease.

Abcam is committed to providing scientists with access to the correct reagents and tools for their research. At 31 December 2013 the Company's catalogue comprised more than 127,000 products and is continually evolving to meet customer needs. The range offered includes primary and secondary antibodies, proteins, peptides, lysates, biochemicals, immunoassays and other kits. Abcam products are supported with detailed, up-to-date and unbiased data on our website.

Headquartered in Cambridge, UK, Abcam has nine global subsidiary offices and ships to over 100 countries. The Company was founded in

1998 and now employs over 700 people. Abcam is quoted on the AIM market of the London Stock Exchange (AIM: ABC).

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

Interim management report

Introduction

Once again we are pleased to report continuing progress in the development of our business. During the six months ended 31 December 2013 (H1 2014) revenues from our core catalogue products business increased by 9.3% on a constant currency basis ('underlying' revenue) compared with the first half last year (H1 2013). This growth was primarily driven by the continued market penetration of our growing range of RabMAb® reagents as well as our non primary antibody product lines, the revenues from which now make up approximately 16% of our catalogue sales.

After taking into account smaller revenue streams from non-catalogue sales, total revenue increased by 8.1% to £61.9m (H1 2013: £57.3m) on both an underlying and reported basis.

In The Americas, which makes up 43% of our catalogue sales, underlying revenues grew at 7.2%. This growth is particularly pleasing given the funding uncertainties during the period at the National Institutes of Health (NIH), on which the US market is highly dependent. Whilst the final 2014 US NIH budget is an improvement on the original plan, it still does not completely offset the reductions to central research expenditure made during last year's sequestration. Once adjusted for inflation, total NIH funding has actually been declining since 2003 and consequently we remain cautious about the US funding environment in the medium to longer term.

We saw good underlying growth of 10.3% in Europe, Middle East and Africa (EMEA), including the full period effect of transferring Epitomics' distributor relationships during the prior year. Once again, our largest European markets have performed well, particularly with the uptake of RabMAb primaries.

Despite Japan's significant government stimulus package which was implemented in April 2013, our market intelligence indicates that the release of research funding has been slower than expected, especially for consumables. Consequently, the underlying sales growth of 8.8% seen during the period is lower than originally anticipated. Growth rates have been more encouraging during the most recent quarter to February 2014, which is our busiest period in Japan prior to the start of the new budget year in April, and we remain optimistic that we can continue taking market share in this region.

Total underlying catalogue sales in the Asia Pacific region grew at a relatively modest 14.7%. In preparation for the recent opening of our new office in Shanghai we have made some important changes to our distribution channels in China, including the consolidation of our distributor network. This has led to some business disruption however we remain excited about the significant long-term potential of that market.

The table below summarises the reported revenue for each region along with the underlying growth rates, calculated with reference to the exchange rates prevailing in the previous year. The strengthening of Sterling against the Japanese Yen in H1 2014 compared with H1 2013 resulted in a decline in reported revenues for this region. The effect of this has been offset by the weakening of Sterling against the US Dollar and the Euro over the same period.

	Reported revenue		Underlying growth*
	H1 2014 £m	H1 2013 £m	**H1 2014 %**
Catalogue sales:			
The Americas	**24.7**	22.8	**7.2**
EMEA	**20.0**	17.4	**10.3**
Japan	**5.3**	6.0	**8.8**
Asia Pacific	**6.8**	5.9	**14.7**
	56.8	52.1	**9.3**
Non-catalogue sales	**5.1**	5.2	**(3.5)**
Total revenue	**61.9**	57.3	**8.1**

* calculated by comparing H1 2014 revenues with H1 2013 revenues, in both periods using the exchange rates from H1 2013 for the currencies in which the Group sells.

Non-catalogue sales consist of income from our custom service offering, royalties and license fees and in vitro diagnostic immunohistochemistry (IVD IHC) sales. On a comparable basis there was a decline in non-catalogue sales of 3.5% over H1 2013, driven by an 18% reduction in revenue from custom services. Whilst we are working to reposition this line of our business, our key growth initiatives remain focused on driving catalogue sales. Since custom service income contributes only a small proportion to our overall revenue, this decline is not expected to impact materially on Group profitability for the year. Royalties and license income showed a small increase, although we expect this revenue stream to decrease over time, and the IVD IHC business continues to show good growth at 68.3% on a relatively small base.

Results

Total revenues on a reported basis for H1 2014 were £61.9m (H1 2013: £57.3m), split between catalogue sales of £56.8m (H1 2013: £52.1m) and non-catalogue sales of £5.1m (H1 2013: £5.2m).

Gross margin further improved to 70.9% (H1 2013: 70.2%) reflecting continued tight cost control and an increase in the proportion of revenues from our own-manufactured products, which now make up 33.3% of catalogue sales (H1 2013: 32.8%).

The adjusted operating margin was 36.8% (H1 2013: 37.9%) and we expect this to reduce in the second half of the year as we increase our investment in organic growth initiatives.

Adjusted diluted EPS increased by 6.5% to 8.74p per share (H1 2013: 8.21p). Before adjustments, diluted EPS was 8.24p per share (H1 2013: 7.57p).

Cash generated by operations was £20.6m (H1 2013: £23.0m). The reduction is due to a higher than normal working capital outflow of £3.8m, reflecting the relatively high trade and other payables balance at 30 June 2013, previously mentioned in last year's annual report, as well as approximately £4.0m of duty and other tax balances included within trade and other receivables, which will reverse before the year end. After a significant outflow of £10.2m for the final dividend for 2012/13, corporation tax payments of £5.5m and £4.1m of capital investment, net cash decreased slightly to £35.3m (30 June 2013: £35.4m; 31 December 2012: £21.8m).

Business commentary

As previously announced, we have identified a number of key areas in which we are actively investing to drive increased revenue and profit growth.

Our people and the way in which we organise ourselves will drive the success of our investment in these initiatives and I am pleased to report that we have made several key recruits during the period into strategically critical positions across our business. We have repositioned our organisation around a global functional structure. Each functional head is based in Cambridge, UK, which allows better co-ordination across the business and more effective decision making.

One of our objectives is to improve our engagement with both existing and potential new customers, which we plan to do through improved marketing and product management. We have made good progress in the period in generating more meaningful customer feedback and, with the creation of category manager roles for each of our product lines, we will be able to enhance our understanding of their needs and expectations. Better consumer insight will also enable us to focus on those new products of greater commercial impact; this may reduce the rate of catalogue expansion over time and will help ensure we are delivering products of the highest relevance and quality and providing the highest level of service.

Key to our ongoing success is also the continuation of investment in our IT infrastructure and facilities. Our aim is to further evolve our website, improve our digital capabilities, enhance our product ranges and increase our levels of customer service. Recent improvements in our website include more customised search facilities leading to quicker discovery of our products by our customers and the development of a content management system to make it easier to publish new content to the website, thereby facilitating faster progression of our online offering.

In support of our focus on increasing geographic reach and improving distribution channels to rapidly growing markets, we have opened a new office in Shanghai, which was fully operational in February 2014. This office enables customer and technical support by native Mandarin speakers, as well as local inventory storage for the first time, to improve delivery times to our customers. The proximity of the office also enables us to support customers with more specific needs through our extensive range of products and services. We anticipate that strengthening our presence in China and unifying our distribution network in this region will present a number of strategic opportunities, including the building of direct relationships with major companies based in the region.

Dividend

Our recent dividend policy has been to distribute 40% of adjusted post-tax profit. Given the profit impact of the increased investment this year in organic growth initiatives aimed at delivering future profits, and the underlying financial strength of the business, the Directors are recommending that the annual dividend for the current year should increase by 10%, subject to shareholder approval at the AGM in November 2014.

In line with this proposal, an interim dividend of 2.13p per share will be paid on 18 April to shareholders whose names are on the register at close of business on 21 March 2014. This represents an increase of 9.8% over last year's interim dividend of 1.94p per share.

Appointment to the Board

On 30 January 2014 we announced the appointment to the Board of Alan Hirzel, the Company's Chief Marketing Officer. Alan, who has over 20 years of global business and leadership experience, joined Abcam in August 2013 and has responsibility for the Company's branding, product portfolio and online consumer offering. His skills, energy and experience are exactly in line with the Group's requirements in this key role to implement our growth initiatives and take us to the next strategic level.

Auditors

In line with corporate governance best practice, the Board put Abcam's audit services contract out to tender this year on the recommendation of the Audit Committee.

Following a comprehensive and thorough competitive tender process, the Directors recommended the appointment of PricewaterhouseCoopers LLP (PwC) as auditor for the year ended 30 June 2014 to replace the previous auditor, Deloitte, and this was approved by shareholders at the AGM held in November 2013.

Deloitte has been the Group's auditor for a considerable period and the Board would like to thank them for their contribution over the years. We look forward to a constructive and professional relationship with PwC, in support of the Audit Committee's responsibility for oversight of the integrity of financial reporting.

Outlook

The Group continues to deliver on its strategic objectives and these are exciting times as we continue to evolve in order to deliver profitable, long-term revenue growth.

Abcam is a dynamic company and changes happen apace, but many key things remain the same: our incredible people, our bold spirit, our customer commitment and our belief in the power of our products to help scientists discover more.

Mike Redmond
Chairman

Jonathan Milner
Chief Executive Officer

3 March 2014

Responsibility statement

We confirm to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the Interim management report includes a fair review of the information required by DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the Interim management report includes a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period and also any changes in the related party transactions described in the last Annual Report that could do so.

At the date of this statement the Directors are those listed in the group's 2012/13 Annual Report with the exception of Alan Hirzel who was appointed as a Director on 30 January 2014.

By order of the Board

Jonathan Milner	**Jeff Iliffe**
Chief Executive Officer	Chief Financial Officer

3 March 2014

Independent review report to Abcam plc

for the six months ended 31 December 2013

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2013, which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Reconciliation of adjusted financial measures, the Condensed consolidated balance sheet, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, 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.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
United Kingdom
3 March 2014

Notes:

(a) The maintenance and integrity of the Abcam plc website (www.abcamplc.com) is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed consolidated income statement

for the six months ended 31 December 2013

	Notes	**(Unaudited) Six months ended 31 Dec 2013 £000**	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Revenue		**61,950**	57,330	122,206
Cost of sales		**(18,017)**	(17,105)	(35,500)
Gross profit		**43,933**	40,225	86,706
Administration and management expenses excluding share-based payments charge		**(18,266)**	(15,427)	(34,701)
Share-based payments charge		**(365)**	(596)	(1,211)
Total administration and management expenses		**(18,631)**	(16,023)	(35,912)
Research and development expenses excluding share-based payments charge		**(4,080)**	(4,216)	(7,766)
Share-based payments charge		**(101)**	(62)	(180)
Total research and development expenses		**(4,181)**	(4,278)	(7,946)
Operating profit		**21,121**	19,924	42,848
Finance income		**104**	59	129
Finance costs		-	(65)	(83)
Profit before tax		**21,225**	19,918	42,894
Tax	4	**(4,724)**	(4,758)	(10,236)
Profit for the period attributable to the owners of the parent		**16,501**	15,160	32,658
Earnings per share				
Basic	5	**8.31p**	7.68p	16.52p
Diluted	5	**8.24p**	7.57p	16.34p

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2013

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Profit for the period	**16,501**	15,160	32,658
Items that may be reclassified to profit or loss:			

Movements on cash flow hedges	**2,899**	76	(2,244)
Exchange differences on translation of foreign operations	**(9,051)**	(792)	1,510
Tax relating to components of other comprehensive income	**(575)**	(273)	539
Other comprehensive expense for the period	**(6,727)**	(989)	(195)
Total comprehensive income for the period	**9,774**	14,171	32,463

Reconciliation of adjusted financial measures

for the six months ended 31 December 2013

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Operating profit	**21,121**	19,924	42,848
Acquisition and integration costs	-	122	400
Amortisation of acquisition-related intangible assets	**1,674**	1,709	3,282
Operating profit (adjusted)	**22,795**	21,755	46,530

Condensed consolidated balance sheet

at 31 December 2013

	Notes	**(Unaudited) As at 31 Dec 2013 £000**	(Unaudited) As at 31 Dec 2012 £000	(Audited) As at 30 Jun 2013 £000
Non-current assets				
Goodwill	6	**75,725**	82,425	81,954
Intangible assets		**32,440**	33,723	33,107
Property, plant and equipment		**8,046**	6,403	7,501
Deferred tax asset		**3,090**	3,820	5,011
Derivative financial instruments		-	387	29
		119,301	126,758	127,602
Current assets				
Inventories		**14,855**	15,896	15,330
Trade and other receivables		**19,069**	13,504	17,440
Cash and cash equivalents		**35,316**	21,821	35,388
Term deposits		**2,928**	2,592	2,923
Derivative financial instruments		**2,308**	980	531
Available-for-sale asset		**643**	656	703
		75,119	55,449	72,315
Total assets		**194,420**	182,207	199,917
Current liabilities				
Trade and other payables		**(11,477)**	(10,614)	(14,317)
Current tax liabilities		**(1,562)**	(4,590)	(2,325)
Derivative financial instruments		**(219)**	-	(1,339)
		(13,258)	(15,204)	(17,981)
Net current assets		**61,861**	40,245	54,334
Non-current liabilities				
Deferred tax liability		**(10,627)**	(12,271)	(11,284)
Derivative financial instruments		-	(7)	(375)
		(10,627)	(12,278)	(11,659)
Total liabilities		**(23,885)**	(27,482)	(29,640)
Net assets		**170,535**	154,725	170,277
Equity				
Share capital	7	**399**	397	399
Share premium account		**73,597**	72,527	72,908
Own shares		**(2,251)**	(1,967)	(1,872)
Translation reserve		**(6,704)**	(8)	2,203
Share-based payments reserve		**6,215**	5,069	5,893
Hedging reserve		**1,230**	729	(1,048)
Deferred tax reserve		**939**	1,502	1,252
Retained earnings		**97,110**	76,476	90,542
Total equity attributable to the owners of the parent		**170,535**	154,725	170,277

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2013

	Share capital £000	Share premium account £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000

Balance as at 1 July 2013	**399**	**72,908**	**(1,872)**	**2,203**	**5,893**	**(1,048)**	**1,252**	**90,542**	**170,277**
Profit for the period	-	-	-	-	-	-	-	**16,501**	**16,501**
Exchange differences on translation of foreign operations	-	-	-	**(8,907)**	**(144)**	-	-	-	**(9,051)**
Movements on cash flow hedges	-	-	-	-	-	**2,899**	-	-	**2,899**
Tax relating to components of other comprehensive income	-	-	-	-	-	**(621)**	**(313)**	**359**	**(575)**
Total comprehensive income for the period	-	-	-	**(8,907)**	**(144)**	**2,278**	**(313)**	**16,860**	**9,774**
Issue of share capital	-	**689**	**(484)**	-	-	-	-	-	**205**
Own shares disposed of on release of shares	-	-	**105**	-	-	-	-	**(105)**	-
Share-based payments charge	-	-	-	-	**466**	-	-	-	**466**
Payment of dividends	-	-	-	-	-	-	-	**(10,187)**	**(10,187)**
Balance as at 31 December 2013	**399**	**73,597**	**(2,251)**	**(6,704)**	**6,215**	**1,230**	**939**	**97,110**	**170,535**

	Share capital £000	Share premium account £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000
Balance as at 1 July 2012	397	71,813	(1,586)	746	4,449	671	2,017	69,706	148,213
Profit for the period	-	-	-	-	-	-	-	15,160	15,160
Exchange differences on translation of foreign operations	-	-	-	(754)	(38)	-	-	-	(792)
Movements on cash flow hedges	-	-	-	-	-	76	-	-	76
Tax relating to components of other comprehensive income	-	-	-	-	-	(18)	(515)	260	(273)
Total comprehensive income for the period	-	-	-	(754)	(38)	58	(515)	15,420	14,171
Issue of share capital	-	714	(381)	-	-	-	-	-	333
Share-based payments charge	-	-	-	-	658	-	-	-	658
Payment of dividends	-	-	-	-	-	-	-	(8,650)	(8,650)
Balance as at 31 December 2012	397	72,527	(1,967)	(8)	5,069	729	1,502	76,476	154,725

1 Exchange differences on translation of overseas operations.
2 IFRS 2 charge for fair value of share options.
3 Gains and losses on cash flow hedges deferred to future periods when the hedged transaction will occur.
4 Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

Condensed consolidated cash flow statement

for the six months ended 31 December 2013

	Notes	**(Unaudited) Six months ended 31 Dec 2013 £000**	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Profit before tax		**21,225**	19,918	42,894
Finance income		**(104)**	(59)	(129)
Finance costs		**-**	65	83
Operating profit for the period		**21,121**	19,924	42,848
Adjustments for:				
Depreciation of property, plant and equipment		**875**	821	1,990
Amortisation of intangible assets		**2,309**	1,905	3,838
Change in fair value of derivatives outstanding at year end		**(344)**	(294)	(99)
Share-based payments charge		**466**	658	1,391
Operating cash flows before movements in working capital		**24,427**	23,014	49,968
Decrease/(increase) in inventories		**414**	(466)	1,288
(Increase)/decrease in receivables		**(2,264)**	351	(4,493)
(Decrease)/increase in payables		**(1,985)**	103	4,625
Cash generated by operations		**20,592**	23,002	51,388
Income taxes paid		**(5,481)**	(4,658)	(11,872)
Finance costs paid		**-**	(66)	(82)
Net cash inflow from operating activities		**15,111**	18,278	39,434
Investing activities				
Finance income		**95**	47	115
Proceeds on disposal of property, plant and equipment		**-**	-	8

Purchase of property, plant and equipment		**(2,007)**	(2,020)	(3,675)
Purchase of intangible assets		**(2,087)**	(1,235)	(3,548)
Acquisition of subsidiary, net of cash and borrowings acquired		**-**	42	42
Net cash used in investing activities		**(3,999)**	(3,166)	(7,058)
Financing activities				
Dividends paid	8	**(10,187)**	(8,650)	(12,506)
Proceeds on issue of shares		**205**	334	716
(Increase)/decrease in term deposits		**(176)**	781	520
Net cash used in financing activities		**(10,158)**	(7,535)	(11,270)
Net increase in cash and cash equivalents		**954**	7,577	21,106
Cash and cash equivalents at beginning of period		**35,388**	14,037	14,037
Effect of foreign exchange rates		**(1,026)**	207	245
Cash and cash equivalents at end of period		**35,316**	21,821	35,388

Notes to the interim financial information

for the six months ended 31 December 2013

1. General information

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2013 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This consolidated interim financial information has been reviewed, not audited.

2. Accounting policies

Basis of preparation

The annual financial statements of Abcam plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2013 except where disclosed otherwise in this note.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the 2013 financial statements, including the level of grant funding by central governments, cross-border trade regulations and exposure to foreign exchange rate fluctuation, in particular the strength of Sterling relative to the US Dollar, Euro and Japanese Yen. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the strong cash position of the Group, along with the underlying profitability of the core business, leads the Directors to believe that the Group is well placed to manage business risks successfully.

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the going concern basis has been adopted in preparing the half-yearly financial statements.

New standards, amendments and interpretations

The following new standards and amendments have been applied for the first time during the year commencing 1 July 2013:

IFRS 13 'Fair value measurement' measurement and disclosure requirements are applicable for the financial year commencing 1 July 2013. The Group has included the relevant disclosure requirements within note 10.

Amendments to IAS 1 'Presentation of financial statements' are applicable for the financial year commencing 1 July 2013. The Group has included the relevant disclosure requirements within the interim financial statements.

In addition, IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', and IFRS 12 'Disclosure of interests in other entities' are applicable for the financial year commencing 1 July 2013 and have not had a material impact on the Group.

There are no new standards that have been issued but are not yet effective for the financial year commencing 1 July 2013, that are expected to have a material impact on the Group.

3. Operating segments

The Group has only one reportable segment, which is 'sales of antibodies and related products'. There has been no change in the basis of segmentation or the basis of measurement of segment profit or loss since the last annual financial statements. The Group's revenue and assets for its one reportable segment can be determined by reference to the Group's income statement and balance sheet.

The Group has no individual product or customer which comprises more than 10% of its revenues. Sales of antibodies and related products are traditionally more heavily weighted towards the second half of the year.

4. Income tax

The major components of income tax expense in the income statement are as follows:

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Current tax	**4,981**	5,251	10,084
Deferred tax	**(257)**	(493)	152
	4,724	4,758	10,236

Corporation tax for the six month period is charged at 22.3% (six months ended 31 December 2012: 23.9%; year ended 30 June 2013: 23.9%), representing management's best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period. This effective tax rate reflects the receipt of R&D tax credits that result in a tax deduction for the Company.

The UK government announced a reduction in the standard rate of the UK corporation tax to 21% effective 1 April 2014 and a further reduction to 20% effective 1 April 2015, both of which were substantively enacted in July 2013.

5. Earnings per share

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

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**16,501**	15,160	32,658
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS	**198,485,319**	197,464,382	197,743,410
Effect of dilutive potential ordinary shares:			
- share options	**1,766,330**	2,717,046	2,176,531
Weighted average number of ordinary shares for the purposes of diluted EPS	**200,251,649**	200,181,428	199,919,941

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period. Own shares held by the Abcam Employee Share Benefit Trust are eliminated from the weighted average number of ordinary shares.

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of 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 period.

Adjusted earnings per share

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

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**16,501**	15,160	32,658
Acquisition and integration costs	-	259	400
Amortisation of associated intangible assets	**1,674**	1,709	3,282
Tax effect of adjusting items	**(669)**	(694)	(1,216)
Profit after tax excluding acquisition costs and amortisation of associated intangible assets	**17,506**	16,434	35,124

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

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

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Adjusted basic EPS	**8.82p**	8.32p	17.76p
Adjusted diluted EPS	**8.74p**	8.21p	17.57p

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

6. Goodwill

	£000
Cost	
At 1 July 2013	81,954
Exchange differences	(6,229)
At 31 December 2013	**75,725**
Accumulated impairment losses	
At 1 July 2013 and 31 December 2013	**-**
Carrying amount	
At 30 June 2013	81,954
At 31 December 2013	**75,725**

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

Cash-generating unit	**(Audited) Carrying value 1 July 2013 £000**	**Exchange differences* £000**	**(Unaudited) Six months ended 31 Dec 2013 £000**	(Unaudited) Six months ended 31 Dec 2012 £000
Goodwill relating to the MitoSciences CGU	**-**	**-**	**-**	2,289
Goodwill relating to the Ascent Scientific CGU	**-**	**-**	**-**	7,658
Goodwill relating to the Epitomics CGU	**-**	**-**	**-**	72,478
Goodwill relating to the Abcam Group CGU	**81,954**	**(6,229)**	**75,725**	-
	81,954	**(6,229)**	**75,725**	82,425

* Goodwill is initially recognised at the exchange rate on the date of acquisition and subsequently retranslated to the balance sheet rate.

Following the acquisitions of Mitosciences, Ascent and Epitomics there has been considerable change in the way these entities are structured and integrated within the Abcam group. These changes include redirecting sales through the Abcam platform and the centralisation of the marketing, technical and operational support. Consequently the discrete financial information which is available for an individual entity does not reflect the true substance of the performance of that entity and the value being added. This means it is not possible to accurately assess the fair value in use of the acquired entities which formerly constituted the separately identifiable CGUs to determine whether or not there is an indication of goodwill impairment.

IAS 36 requires that following a reorganisation in the business which results in a change in the composition of CGUs, goodwill should be reallocated to the units affected. Considering the changes above, during the previous year the Directors decided that it was more appropriate to reallocate the goodwill arising from the acquisitions to a single CGU, which would reflect the reorganised business structure. This CGU is tested for impairment on a group-wide basis using the future forecast cash flows arising from the Abcam business as a whole.

The Group performs an annual test for goodwill impairment or more frequently if there are any indications that goodwill might be impaired. No indications that goodwill might be impaired were noted at the date of these interim financial statements.

7. Share capital
Share capital as at 31 December 2013 amounted to £399,494. During the period, the Group issued 368,586 shares as a result of the exercise of share options. This increased the number of shares in issue from 199,378,377 to 199,746,963.

8. Dividends

	(Unaudited) Six months ended 31 Dec 2013 £000	(Unaudited) Six months ended 31 Dec 2012 £000	(Audited) Year ended 30 Jun 2013 £000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 30 June 2013 of 5.10 pence (2012: 4.36 pence) per share	**10,187**	8,650	8,650
Interim dividend for the year ended 30 June 2013 of 1.94 pence per share	-	-	3,856
Total distributions to equity holders in the period	**10,187**	8,650	12,506
Proposed interim dividend for the year ended 30 June 2014 of 2.13 pence (2013: 1.94 pence) per share	**4,260**	3,861	-
Proposed final dividend for the year ended 30 June 2013 of 5.10 pence per share	-	-	10,168

The proposed interim dividend of 2.13 pence per share was approved by the Board on 3 March 2014 and has not been recognised as a liability as at 31 December 2013. It will be recognised in equity attributable to owners of the parent in the year ended 30 June 2014.

9. Foreign currency
The Group continues to generate significant amounts of US Dollars, Euros and Japanese Yen in excess of payments in these currencies and has hedging arrangements in place to reduce its exposure to currency fluctuations.

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

	US Dollars		Euros		Japanese Yen	
	Sell $000	Average rate	Sell €000	Average rate	Sell ¥000	Average rate
Six months ending 30 June 2014	**21,050**	**1.55**	**13,500**	**1.19**	**639,420**	**151.29**
Year ending 30 June 2015	**10,800**	**1.55**	**6,750**	**1.19**	**333,000**	**150.92**

An analysis of the foreign currency components of revenue and cost of sales together with average exchange rates used in the period is given in the table below:

	Average exchange rates used for revenue		Average exchange rates used for cost of sales		Percentage currency contribution	
	H1 2014	H1 2013	**H1 2014**	H1 2013	**H1 2014 Revenue %**	**H1 2014 Cost of sales %**
US Dollar	**1.571**	1.591	**1.574**	1.593	**59.0**	**72.2**
Euro	**1.178**	1.249	**1.178**	1.250	**22.7**	**7.0**
Japanese Yen	**156.170**	126.542	**157.513**	126.373	**8.7**	**2.0**
Hong Kong Dollar	**12.178**	12.325	**12.191**	12.352	**0.4**	**1.0**
Canadian Dollar	**1.640**	1.590	-	-	**2.3**	-
Sterling	-	-	-	-	**6.9**	**17.8**
					100.0	**100.0**

The exchange rates reported for sales in the second half of last year were £1:$1.552, €1.181, ¥144.925.

10. Financial risk management and financial instruments
The Group's activities expose it to a variety of financial risks that include currency risk, interest rate risk, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's financial statements as at 30 June 2013. There have been no changes to the risk management policies since the year ended 30 June 2013.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

31 December 2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Assets				
Derivative financial instruments	**-**	**2,308**	**-**	**2,308**

Available-for-sale asset	**-**	**-**	**643**	**643**
Total assets	**-**	**2,308**	**643**	**2,951**

Liabilities				
Derivative financial instruments	**-**	**(219)**	**-**	**(219)**
Total liabilities	**-**	**(219)**	**-**	**(219)**

30 June 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Derivative financial instruments	-	560	-	560
Available-for-sale asset	-	-	703	703
Total assets	-	560	703	1,263
Liabilities				
Derivative financial instruments	-	(1,714)	-	(1,714)
Total liabilities	-	(1,714)	-	(1,714)

There were no transfers between levels during the period.

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

The Level 3 available-for-sale asset is an unlisted equity instrument stated at cost less any provision for impairment. The Directors believe that no reasonably foreseeable changes to key assumptions would result in a significant change in fair value.

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

11. Date of approval of interim financial statements
The interim financial statements cover the period 1 July 2013 to 31 December 2013 and were approved by the Board on 3 March 2014.

Further copies of the interim financial statements are available from the Company's registered office, 330 Cambridge Science Park, Cambridge CB4 0FL, and can be accessed on the Abcam plc investor relations website, www.abcamplc.com.