

Abgene Limited

Annual report and financial statements for the year ended 31 December 2016

Company registration number: 05556241

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ABGENE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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ABGENE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

L Grant
N Ince
D Norman

Company Secretary

Oakwood Company Secretary Limited

Registered office

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Solicitors

Addleshaw Goddard
100 Barbirolli Square
Manchester
M2 3AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

ABGENE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

Review of the business and future performance

The directors are satisfied with the performance in the year and expect to see continued operational margin growth in the future. The extent of that improvement being partially dependent on the exchange rate with the Euro.

The Company continues to invest in research and development and this is expected to maintain and expand the company's firm positioning in the market. Research and development expenditure during the year was £118,000 (2015: £271,000). The company launched one new product in 2016 and further product launches are scheduled to take place in 2017.

Key performance indicators ('KPIs')

The directors believe that the key performance indicators ('KPIs') are revenue growth and profitability.

Turnover has increased from £16,581,000 to £19,758,000: volume was up but offset by product mix. Overall the primary cause of the increased revenue was the change in the exchange rate of the Pound with the Euro particularly in the second half of the year following the UK referendum vote in favour of the UK leaving the EU and favourable transfer pricing adjustments with the group company responsible for distribution. The latter included a benefit of £827,000 which related to sales in 2015.

The profit for the financial year was £10,313,000 (2015: £5,033,000) which will be transferred to reserves.

Cost of sales fell as a result of increased productivity, as the company continues to invest in new tooling and equipment; and reduced raw material costs as it leveraged contracts with other parts of the Group. As a result of the exchange rate gains and operational efficiencies, gross margins improved to 48% (2015: 32%). Operating margins increased similarly to 43% (2015: 22%).

Employee numbers continued to decline by 40 (-18%) in the year as a result of increased productivity following the introduction of new methods into manufacturing.

Principal risks and uncertainties

The management of the business is subject to a number of risks including commercial risk, price risk, currency risk and interest rate cash flow risk. The mitigation of these risks has been outlined below.

Commercial risk

The company continues to improve its services in order to maintain and develop its market place penetration as evidenced by the investment in research and development of new products and continuing improvements in the distribution chain.

ABGENE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, currency risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash out flows and hence manage interest rate risk, the company is supported by fellow group operations. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Currency risk

The company is exposed to currency risk as a result of its operations. However, given the size of the company's operations, the cost of managing the exposure to currency risk through the use of derivative financial instruments exceeds any potential benefits, and as such no hedge accounting is applied. The company operates foreign currency bank accounts in order to offset foreign currency receipts and payments.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. Interest payable is on group loans only and therefore management of cash flows is taken account of as part of the group's financing activity.

Brexit

On 23 June 2016 a referendum was held and the outcome of the vote determined that the United Kingdom would leave the European Union. At the time of the signing of the statutory financial statements the details of how and when the United Kingdom will leave the European Union, and its affect on the financial markets, are unclear and as such it is not possible to estimate the impact of this event.

On behalf of the board



N Ince Director

26th September 2017

ABGENE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Future developments

Future developments are deemed to be of strategic importance to the company and as such have been outlined within the strategic report.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

Financial risk management and research and development

Disclosures relating to these areas are included in the strategic report.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

L Grant
N Ince
D Norman

Third party indemnity provision

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these remain in force at the date of this report.

Research and development

The company encourages research and development investment. Research and development programmes are managed to obtain a balance between improvements to existing products and development of new products.

Employees

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

ABGENE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she should have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

ABGENE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the board



N Ince
Director

26th September 2017

ABGENE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABGENE LIMITED

Report on the financial statements

Our opinion

In our opinion, Abgene Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and loss account and the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

ABGENE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABGENE LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

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

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

Other matters

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

27th September 2017

ABGENE LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2016****PROFIT AND LOSS ACCOUNT**

		Year ended 31 December	
	Note	2016 £'000	2015 £'000
Turnover	3	19,758	16,581
Cost of sales		(10,235)	(11,239)
Gross profit		9,523	5,342
Distribution costs		(35)	(92)
Administrative expenses		(1,022)	(1,662)
Operating profit	4	8,466	3,588
Profits on sale of trade and assets		3	7
Profit on ordinary activities before interest and taxation		8,469	3,595
Interest receivable and similar income	6	1,468	1,451
Interest payable and similar expenses	6	(35)	(27)
Net interest income	6	1,433	1,424
Profit before taxation		9,902	5,019
Tax on profit	7	411	14
Profit for the financial year		10,313	5,033

ABGENE LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

	Year ended 31 December	
	2016 £'000	2015 £'000
Profit for the financial year	10,313	5,033
Other comprehensive income:		
Total tax on components of other comprehensive income	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	10,313	5,033

ABGENE LIMITED

BALANCE SHEET

		As at 31 December	
	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	8	75	122
Tangible assets	9	2,214	2,187
		2,289	2,309
Current assets			
Inventories	10	867	909
Debtors	11	54,983	52,538
Cash at bank and in hand		29,956	21,854
		85,806	75,301
Creditors: amounts falling due within one year	12	(8,797)	(8,625)
Net current assets		77,009	66,676
Total assets less current liabilities		79,298	68,985
Provisions for liabilities	14	(336)	(336)
Net assets		78,962	68,649
Capital and reserves			
Called up share capital	17	8,090	8,090
Retained earnings		70,872	60,559
Total equity		78,962	68,649

The notes on pages 15 to 34 are an integral part of these financial statements.

The financial statements on pages 11 to 34 were authorised for issue by the board of directors on 26th September 2017 and signed on its behalf by



N Ince

Director

Abgene Limited

Company registration number: 05556241

ABGENE LIMITED**STATEMENT OF CHANGES IN EQUITY**

	£'000	£'000	£'000
	Called up share capital	Retained earnings ¹	Total equity
Balance as at 1 January 2015	8,090	55,526	63,616
Profit for the financial year	-	5,033	5,033
Total comprehensive income for the year	-	5,033	5,033
Balance as at 31 December 2015	8,090	60,559	68,649
Balance as at 1 January 2016	8,090	60,559	68,649
Profit for the financial year	-	10,313	10,313
Total comprehensive income for the year	-	10,313	10,313
Balance as at 31 December 2016	8,090	70,872	78,962

¹ Retained earnings represents accumulated comprehensive income for the current financial year and prior financial years plus share-based payments adjustments and related tax credits, charges from the parent company for share-based payments less dividends paid.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information

Abgene Limited ('the company') manufactures and sells scientific consumables. The company manufactures in the UK and sells to an intercompany partner in Europe who distributes throughout the world.

Statement of compliance

The individual financial statements of Abgene Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss account in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

Cash flow statement and related party disclosures

The company is included in the consolidated financial statements of Thermo Fisher Scientific Inc. which are publically available. Consequently, as the company is a 100% owned subsidiary, the company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Thermo Fisher Scientific Inc, includes the company's cash flows in its own consolidated financial statements. The company is also exempt under the terms of FRS 102.33 from disclosing related party transactions with entities that are part of the Thermo Fisher Scientific Inc. group (see note 21).

Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the Profit and Loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information (continued)

Foreign currency (continued)

Non-monetary items measured at historical costs are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses are presented in the Profit and Loss account within 'Administrative expenses'.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount received for goods supplied, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

An entity shall recognise revenue from the sale of goods when all the following conditions are satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is recognised using the effective interest rate method.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software – 3 to 5 years
- License Fees - Intellectual property license agreement fees are capitalized and amortized over the length of the agreement.

Amortisation is charged to “Administrative expenses” in the Profit and Loss account. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred.

Tangible assets

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended use.

Land and buildings

Land and buildings include leasehold factories, and offices. Land and building are stated at cost less accumulated depreciation and accumulated impairment losses.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information (continued)

Tangible assets (continued)

Plant and machinery and fixtures, fittings, tools and equipment

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated. The fixed assets have been depreciated on a straight line basis at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its expected useful economic life in the company's business, and the rates are as follows:

Long leasehold improvements	- Over the life of the lease on a straight line basis
Plant and machinery	- 5 to 10 years
Fixtures, fittings and computer equipment	- 2 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction

Assets under the course of construction are depreciated when they first come into use.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

Leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information (continued)

Leased assets (continued)

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information (continued)

Financial Instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information (continued)

Financial Instruments (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

(ii) Inventory provisioning

The company manufactures and sells scientific consumables. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 10 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2 Critical accounting judgements and estimation uncertainty (continued)

(iv) Dilapidation Provision

The provision relates to the cost of restoring the leasehold property back to the condition it was in when the lease commenced.

The provision of £336,000 (2015: 336,000) will be utilised when the company vacates the premises. The current lease term is until November 2020 but the lease contains provision for early termination. Any renewal would be subject to negotiation.

There were no critical accounting judgements made within the accounting year.

3 Turnover

Turnover by geography	2016 £'000	2015 £'000
Rest of Europe	19,758	16,581
	19,758	16,581
Turnover by nature	2016 £'000	2015 £'000
Sales of goods	19,758	16,581
	19,758	16,581

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4 Operating profit

The operating profit is stated after charging/(crediting):

	Note	2016 £'000	2015 £'000
Wages and salaries		5,032	5,606
Social security costs		438	473
Other pension costs	13	219	224
Staff costs		5,689	6,303
Profit on disposal of tangible fixed assets		(3)	(7)
Inventory recognised as an expense		3,289	3,829
Operating lease charges			
- Plant and machinery		27	26
- Other		255	238
Depreciation of tangible fixed assets			
- Owned assets		563	635
Foreign exchange (gain)/loss		(308)	100
Audit fees payable to the company's auditors		41	44
Research and development		118	271

5 Employees and directors

Average monthly numbers of persons employed (including directors) by the company during the year was:

By activity	2016 Number	2015 Number
Sales and marketing	1	1
Manufacturing	175	211
Research and development	3	5
Administration	9	11
	188	228

Directors

Directors' emoluments represent an allocation of their services to this company. Directors' emoluments were borne by another group company, Thermo Electron (Management Services) Limited, that makes no onward recharge to the company.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5 Employees and directors (continued)

	2016 £'000	2015 £'000
Aggregate emoluments	4	9
Company contributions to defined contribution pension scheme	1	1
	5	10

Retirement benefits accrued to no directors (2015: no directors) under a defined benefit scheme.
Retirement benefits accrued to 3 (2015: 5) directors under a money purchase pension scheme.

During the year 3 directors (2015: 4 directors) exercised options over shares of Thermo Fisher Scientific Inc.

In 2016 3 (2015: 5) directors were entitled to shares under a long-term incentive scheme.

Highest paid director	2016 £'000	2015 £'000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	2	4

The highest paid director exercised share options over shares in Thermo Fisher Scientific Inc. during 2016.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6 Net interest income

Interest receivable and similar income

	2016 £'000	2015 £'000
Bank interest receivable	88	55
Interest receivable from group undertakings	1,345	1,357
Other interest receivable	35	39
Total interest income on financial assets not measured at fair value through profit or loss	1,468	1,451
Total interest receivable and similar income	1,468	1,451

Interest payable and similar expenses

	2016 £'000	2015 £'000
Interest payable to group undertakings	35	27
Total interest expense on financial liabilities not measured at fair value through profit or loss	35	27
Total interest payable and similar expenses	35	27

Net interest income

	2016 £'000	2015 £'000
Total interest receivable and similar income	1,468	1,451
Total interest payable and similar expenses	(35)	(27)
Net interest income	1,433	1,424

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7 Tax on profit

Tax credit included in profit and loss:

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits of the year	11	-
Adjustments in respect of previous periods	8	-
Total current tax	19	-
Deferred tax		
Origination and reversal of timing differences	(122)	61
Impact of changes in tax rates	74	76
Adjustments in respect of previous periods	(382)	(151)
Total deferred tax (note 15)	(430)	(14)
Tax credit on profit	(411)	(14)

Reconciliation of tax charge:

The tax assessed for the year is lower (2015: lower) than the standard	2016 £'000	2015 £'000
Profit before taxation	9,902	5,019
Profit before taxation multiplied by the standard rate of corporation tax in the UK 20% (2015: 20.25%)	1,980	1,016
Expenses not deductible for tax purposes	5	7
Tax rate changes	74	68
Group relief claimed for nil charge	(1,243)	(952)
Adjustments in respect of previous periods	(373)	(151)
Tax relief for employee share acquisition	(1)	(2)
Patent box deduction	(31)	-
Total tax credit for the year	(411)	(14)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 20%

Factors that may affect future tax charges:

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from April 2020 had already been substantively enacted on 26 October 2015.

ABGENE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016****8 Intangible assets**

	Computer Software £'000	License Fees £'000	Total £'000
Cost			
At 1 January 2016	416	101	517
Additions	16	-	16
Transfers	15	-	15
Disposals	(15)	-	(15)
At 31 December 2016	432	101	533
Accumulated amortisation			
At 1 January 2016	309	86	395
Charge for the year	60	13	73
Transfers	5	-	5
Disposals	(15)	-	(15)
At 31 December 2016	359	99	458
Net book value			
At 31 December 2016	73	2	75
At 31 December 2015	107	15	122

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9 Tangible assets

	Leasehold properties £'000	Plant and machinery £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 January 2016	655	7,582	386	8,623
Additions	69	502	29	600
Transfers	-	(15)	-	(15)
Disposals	-	(108)	(16)	(124)
At 31 December 2016	724	7,961	399	9,084
Accumulated depreciation				
At 1 January 2016	559	5,582	295	6,436
Charge for the year	45	467	51	563
Transfers	-	(5)	-	(5)
Disposals	-	(108)	(16)	(124)
At 31 December 2016	604	5,936	330	6,870
Net book value				
At 31 December 2016	120	2,025	69	2,214
At 31 December 2015	96	2,000	91	2,187

10 Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	488	523
Work in progress	247	230
Finished goods and goods for resale	132	156
	867	909

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11 Debtors

	2016 £'000	2015 £'000
Trade debtors	81	1
Amounts owed by group undertakings	53,552	51,578
Other debtors	128	224
Deferred tax asset	1,054	624
Prepayments and accrued income	168	111
	54,983	52,538

Amounts owed by group undertakings include a loan of £50,000,000 (2015: £50,000,000 LIBOR 6 month rate +2%) which is unsecured and repayable on demand with interest accruing at LIBOR 6 month rate +2%. Other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	(894)	(974)
Amounts owed to group undertakings	(6,850)	(6,767)
Other creditors	(46)	(55)
Taxation and social security	(81)	(87)
Accruals and deferred income	(926)	(742)
	(8,797)	(8,625)

Amounts owed to group undertakings include a loan of £1,482,000 (2015: £1,482,000 LIBOR 12 month rate + 1%) which is unsecured and repayable on demand with interest accruing at LIBOR 12 month rate +1%. Other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

13 Post-employment benefits

The company operates a defined contribution scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £ 219,000 (2015: £ 224,000). The liability at the year end for the contributions payable to the defined contribution scheme is £31,000 (2015: £41,000).

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14 Provisions for other liabilities

	Dilapidations £'000	Total £'000
At 1 January 2016	336	336
<hr/>		
At 31 December 2016	336	336

The dilapidation provision relates to the obligation to restore the property to its original state at the end of the lease period.

The provision will be utilised when the company vacates the premises. The current lease term is until November 2020 but the lease contains provision for early termination. Any renewal would be subject to negotiation.

15 Deferred tax asset

	2016 £'000	2015 £'000
Accelerated capital allowances	994	560
Other timing differences	60	64
<hr/>		
Deferred tax	1,054	624

Provision for deferred taxation	Deferred tax asset £'000
At 1 January 2016	624
Credit to profit and loss account	430
<hr/>	
At 31 December 2016	1,054

There are no unused tax losses or unused tax credits.

The net deferred tax asset expected to reverse by 2020 is £1,054,000.00. This primarily relates to the reversal of timing differences offset by expected tax deductions on the acceleration of capital allowances over depreciation.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16 Financial Instruments

The company has the following financial instruments:

	Note	2016 £'000	2015 £'000
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors	11	81	1
– Amounts owed by group undertakings	11	53,552	51,578
– Other debtors	11	128	224
– Prepayments and accrued income	11	168	111
		53,929	52,019
Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities measured at fair value through profit or loss			
– Derivative financial instruments		-	-
		-	-
Financial liabilities measured at amortised cost			
– Trade creditors	12	(894)	(974)
– Amounts owed to group undertakings	12	(6,850)	(6,767)
– Other creditors	12	(46)	(55)
– Accruals and deferred income	12	(1007)	(829)
		(8,797)	(8,625)

17 Called up share capital

	2016 £	2015 £
Issued, allotted and fully paid		
8,090,000 (2015: 8,090,000) ordinary shares of £1	8,090,001	8,090,001

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18 Contingent assets and liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. No liability is expected to arise under this arrangement.

The company receives a recharge from the ultimate parent in respect of share-based payment awards. This recharge is recorded in the financial statements when it is paid.

19 Capital and other commitments

	2016 £'000	2015 £'000
Contracts authorised for future capital expenditure not provided in the financial statements	124	335

The company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Land and buildings		
Within one year	241	241
Within two to five years	723	965
	964	1,206
Plant and machinery and vehicles		
Within one year	16	24
Within two to five years	19	37
	35	61

The company has no other off-balance sheet arrangements.

ABGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20 Related party transactions

See note 5 for disclosure of the directors' remuneration and key management compensation.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

21 Controlling parties

The immediate parent undertaking is Advanced Biotechnologies Limited whose registered office is 3rd Floor Ashley Road Altrincham Cheshire WA14 2DT.

The ultimate parent undertaking and controlling party is Thermo Fisher Scientific Inc. which is the largest and smallest group to consolidate these financial statements. The company is incorporated in the United States of America and its common stock is listed on the New York Stock Exchange. Copies of the financial statements of the ultimate parent company are publically available and can be obtained from its headquarters at 168 Third Avenue, Waltham, MA 02451, USA.