

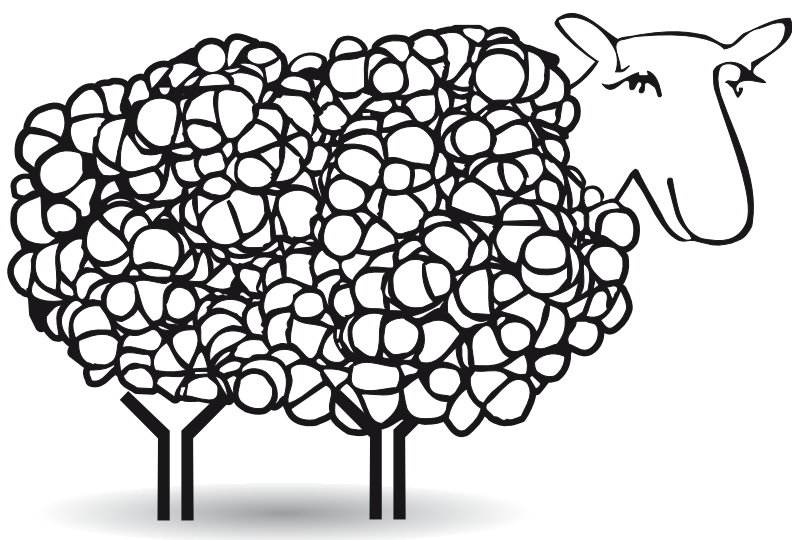


Annual report and accounts

for the year ended 30 June 2006

Contents

01	Highlights
02	Our Business at a Glance
04	Chairman's Statement
06	CEO's Review
07	Managing Director's Review
08	CEO's Questions and Answers
10	Financial Review
12	The Directors
14	Corporate Directory
15	Directors' Report
17	Corporate Governance
19	Directors' Remuneration Report
21	Statement of Directors' Responsibilities
22	Independent Auditors' Report
23	Consolidated Profit and Loss Account
23	Statement of Total Recognised Gains and Losses
24	Consolidated Balance Sheet
25	Company Balance Sheet
26	Consolidated Cash Flow Statement
27	Notes to the Consolidated Cash Flow Statement
28	Notes to the Accounts



Our vision is to build the largest online antibody resource in the world while also ensuring that the antibodies are of high quality and commercially viable.

60%

Sales in the half year increased 60% to £19.4 million

23,200

Continued expansion of product range: 23,200 products

£4.9m

Profit before tax of £4.9 million in the current year

- Sales in the year increased 60% to £19.4 million (2005: £12.1 million) and pre-tax profits increased 65% to £4.9 million (2005: £3.0 million)
- Continued expansion of product range: 23,200 products available on the Abcam website at end June 2006, up 41% from 16,500 products at end June 2005
- Significant contribution in sales and profits in the year from US office. New office just opened in Japan, the world's third largest market for research antibodies
- Net cash and short-term investments of £11.9 million as at 30 June 2006
- EPS increased 34% to 11.53p (2005: 8.59p)
- Proposed final dividend of 2.0p a share

Our Business at a Glance

The idea for Abcam came early in 1998 out of a laboratory in the University of Cambridge, UK. The principal founder, Jonathan Milner, was working as a post-doctoral researcher studying the newly discovered breast cancer protein BRCA2 in Professor Tony Kouzarides' laboratory. The project slowed because of problems finding quality antibody reagents that had honest and up-to-date information about their uses and limitations. It was frustrating.

1

We source and develop

We make our own antibodies and source other excellent antibodies from institutes, academic laboratories and primary manufacturers.

Abcam is on a mission to build the largest online catalogue of the best antibodies in the world and our scientists are dedicated to achieving this.

We make our own antibodies and source other excellent antibodies from institutes, academic laboratories, primary manufacturers and other suppliers.

We provide technical support on all of our products to enable our customers to achieve the result they should expect.

2

We add value

Our scientists have built a catalogue of the best antibodies in the world and provide technical support on all of our products to enable our customers to achieve the result they expect.

Abcam focuses on presenting test data. Our datasheets differentiate between:

- successfully tested;
- unsuccessfully tested; and
- not tested.

Datasheets display the applications and species. Each antibody is successfully tested in at least one common application prior to release, by either ourselves or our source. Further testing data is predominantly obtained from our collaborators and customers.



Global presence
 Our office in Boston has made a significant contribution to sales and profit over the past two years. The opening of our Japanese office will now give us a foothold in the third largest antibody research market in the world.



3

We deliver

Our systems enable us to process orders quickly and accurately and we ship to any country in the world by express courier delivery. We keep our customers informed at every stage, so that they can plan their experiments.

As the Company grows, it is important that the systems and processes are able to take advantage of economies of scale, and we keep this constantly under review. In particular, at the moment we are progressing with our investment in robotic storage and handling facilities. These new facilities will enable us to store, pick and pack stock more efficiently than the present systems, and will allow us to expand output without a corresponding growth in staff and expensive conventional refrigeration.

4

We support

We provide technical help and information about immune response, structure and activities of antibodies, production, purification and applications.

Our Abpromise gives our customers the reassurance of knowing that:

- Our antibodies are amongst the best in the world.
- Our unique AbreviewsSM system provides contact with other customers for the same antibody.
- Our customers are able to contact our expert technical team to ask for their advice.

Chairman's Statement



I am delighted to present Abcam's first annual report as a public company.

We enjoyed an exciting and prosperous financial year in 2005/06, and I am equally positive about the opportunities and prospects that lie ahead.

Abcam provides antibody reagents that scientists use to identify proteins. Research into the roles and effects of proteins has grown significantly in recent years, particularly since the human genome project was completed. Estimates of the number and diversity of proteins that have important implications for health and disease continue to increase, and in the future we are likely to witness many more groundbreaking discoveries. As the world's largest online antibody resource, Abcam is well placed to develop and supply the tools that allow such discoveries to be made and to contribute to mankind's progress in understanding health and disease.

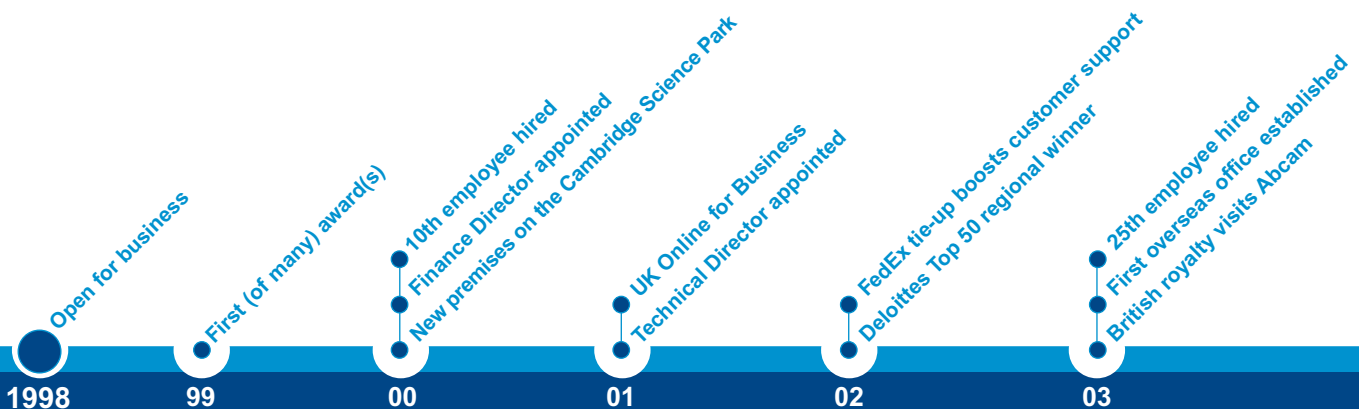
I am especially pleased by the contributions made by Abcam's hard-working and loyal employees to the Group's continuing success post flotation. Abcam is fortunate to have a first-class management team and dedicated staff who all work together to deliver the best-quality antibody reagents to our customers.

Abcam's culture enables it to quickly recognise changes in the marketplace and create opportunities for the Company. I am proud of Abcam's track record in identifying new products and

techniques and I continue to be impressed by our team's ability to innovate and expand in this exciting market.

Abcam's goal is to deliver the best antibodies to our customers and to become the world's largest research antibody supplier. Abcam is increasingly regarded in the industry as an attractive partner by smaller companies that lack our geographical and market penetration, and we continue to interest a growing number of companies that do not focus primarily on research antibodies. As a consequence we have established partnerships and supplier agreements with many of the world's best sources of antibodies. With our reputation for flexibility and trustworthiness among suppliers, we have recently been able to close a number of such deals, including the recently announced acquisition of the rights to distribute exclusively the range of antibodies developed by Triple Point Biologics Inc. We will continue to develop our relationships with other suppliers of antibodies, and to look for opportunities to acquire product lines that we can sell either exclusively or non-exclusively.

We also provide new and unique products of the highest quality in the form of our own antibodies. Currently, these products represent a small fraction of our catalogue, but they generate disproportionately high revenue and profits. We have been building resources and developing expertise in the identification and production of antibodies, and we are now looking to increase investment in our own manufacturing capability. We are currently investigating the most effective way of achieving this.





Outlook

I am optimistic about Abcam's future: it has great potential to continue to expand in the medium to longer term. The Group's management is very focused on profitable growth and I believe that they have put in place the operational processes, product acquisition and marketing and sales strategies to enable this to happen.

Corporate governance

The Board intends to follow best practice wherever practical. As a major step in this direction, I am pleased to welcome Tim Dye and Mark Webster to the Board as non-executive directors from 1 July 2006.

Tim Dye is currently Chairman and Chief Executive of William Ransom & Son plc, a healthcare company quoted on AiM. He brings to the Board a wealth of experience in mergers and acquisitions and in growing a successful company.

Mark Webster is a highly experienced pharmaceutical executive. His skills and experience in sales and marketing will be of enormous benefit to Abcam in the future.

Including Peter Keen, the addition of Tim Dye and Mark Webster brings the number of independent non-executive directors to three, each of whom contributes valuable and complementary skills and experience to the Board.

Dividend

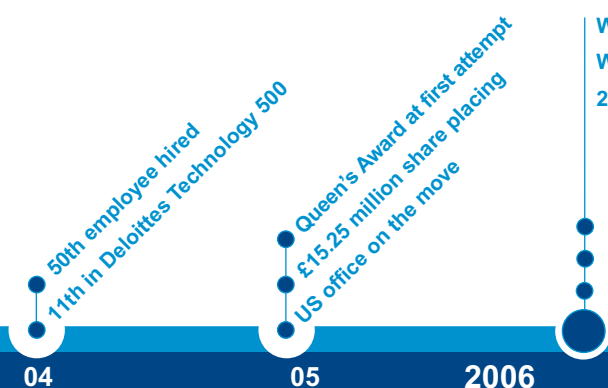
A dividend of 3.25p was paid during the year prior to the listing on AiM. In accordance with the Directors' stated intention following the floatation of paying dividends from each year's profits equal to 25% of that year's profit after tax, an interim dividend of 0.7p for this year was paid in April 2006. The Directors recommend a final dividend of 2.0p per share, making a total of 2.7p since floatation, which equates to paying 25% of the profit after tax for the year ended 30 June 2006. Subject to shareholder approval at the annual general meeting in October, all shareholders on the register on 27 October 2006 will receive this dividend on 24 November 2006.

I would like to take this opportunity to thank all our staff for their efforts, and our customers, suppliers and shareholders for their support for Abcam.

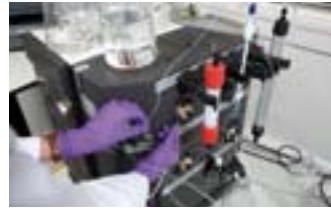
David Cleevly

Chairman

4 September 2006



CEO's Review



Abcam has made outstanding progress in the last financial year. Sales increased by 60% to £19.4m (from £12.1m in 2005) and profit before tax increased by 65% to £4.9m (from £3.0m in 2005). It is satisfying to see that operating profit at 23.7% of sales is only slightly below the 24.0% achieved in 2005. This is despite the additional costs of being a publicly listed company and reflects the ability of the Company to scale its operations efficiently.

Abcam at a glance

- Highly cash-generative business
- Double digit rate of growth in sales and profits
- High rate of new product addition
- Established brand
- Rapid penetration of geographic markets
- Concentration on gross margins and efficiency equals outstanding profitability
- Highly scalable operations
- Talented and enthusiastic staff
- Commitment to staff training and development

Cash balances and short term investments over the year rose by £10.4 million to £11.9 million. £9.3 million came from the net proceeds of the AiM listing in November 2005, but the business itself continues to be very cash generative.

Our 60% growth in sales has been driven in part by the number of products published on the website. This grew by 41%, up from 16,500 at the end of June 2005 to 23,200 at the end of June 2006.

Products that we have published tend to sell more per month or per year the longer they have been available. We are therefore continuing not only to publish more products but also to provide more information about the antibodies, so as to exploit this dynamic. Growth in sales has also been the result of better market penetration, brand recognition and improved distribution.

The Company pays considerable attention to gross margins. A high priority is to increase significantly the number of products that are owned or exclusively distributed by Abcam in the medium term. Profitability is also affected by cost and we continue to strive for greater operational efficiency.

Abcam is fortunate to have such enthusiastic, high-quality staff. Through our recruitment programme, we have attracted some very able and experienced individuals and we have 28 biochemist PhD staff, many with valuable years of post-doctoral research experience. We are committed to further enhancing the team through a new programme of staff training and development.

Jonathan Milner
CEO
4 September 2006

Managing Director's Review



Abcam continually seeks to improve its business processes and systems in order that we can scale effectively. Central to this strategy is our in-house IT and web-development capability, which we have steadily expanded to ensure that we can continue to make such efficient and scalable progress in the future.

As an example of how our IT systems integrate with our despatch operations, we have introduced a robotic stock-storage and retrieval system in the UK that greatly increases our stock-storage density and enables us to process and deliver orders to our customers faster and more reliably. Once this system is fully implemented we will implement a second system in the US office.

We see a big opportunity to increase sales by extending our geographical reach, boosting our market penetration and raising our brand awareness. Our US office in Cambridge, Massachusetts, has recently lengthened its operating hours in order to service customers on the West Coast, and this has proved very effective. We have also introduced Saturday working in the USA so that orders placed on a Friday will reach customers on Monday morning.

Japan is probably the third most important market for antibodies after the USA and the EU, and so we are keen to improve our market penetration there. Implementation of our plan to have a

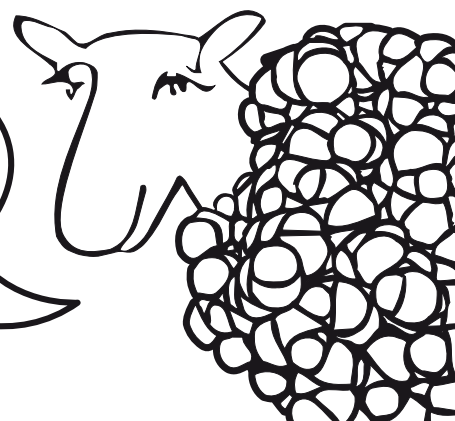
functional sales-generating Japanese office is now well under way. We now have a subsidiary company incorporated with premises in the country, and are in the process of recruiting operational staff. We recognise, through our existing relationships with distributors, that Japan is a challenging market and that building our presence in it may take some time, but the long-term potential in the region for increased sales and margins via our own operation is very good.

We will also be putting in place IT systems-architecture changes that allow the Japanese office to operate on an entirely standalone IT platform. This will periodically be consolidated with the central UK systems, improving the local performance of the website (via local servers in Japan), as well as allowing us to develop additional regional offices more efficiently in the future.

We place considerable emphasis on responsibility for and communication with our employees. We keep all employees informed of what is happening in the Group with weekly update meetings. These are supplemented with presentations given every quarter by each head of department. Finally, Group strategy is agreed each year as part of the annual budget and planning cycle with all department heads, and they then ensure that employees in their department understand that department's objectives and targets.

Jim Warwick
Managing Director
4 September 2006

Abcam is a one-stop-shop for antibodies. The number of products available on our website stood at 23,200 up 41% from the previous year.



Questions and Answers

Jonathan Milner answers some of the most frequently asked questions, by investors, from the past year.



1. Why do you think antibodies are such an exciting market opportunity?

Research antibodies are fundamental to studying proteins at a cellular level and proteins are the fundamental components of life. Therefore, in order to understand the differences between health and disease, the specific functions of proteins need to be elucidated and the only way that this can be achieved is by using specific antibodies to home in and image the protein. The recent sequencing of the human genome has identified tens of thousands of new potential proteins and the research world is moving from genomics (the study of genomes and genes) to proteomics (the study of proteins and how they interact). Since the turn of the millennium the market for research antibodies has increased at between 10% and 20% per annum.

All of this put together means that there has never been so much excitement, opportunity and optimism as there is currently surrounding antibodies.

2. Can you give me an example of how one of your customers may use an antibody?

Our customers are typically bioscientists working in academia or industry who want to answer fundamental questions about how their protein of interest functions at a cellular level. An example out of thousands would be, for instance, a cancer research group from the Abramson Family Research Institute at the University of Pennsylvania in the USA, who have recently published a scientific paper which sheds light on how specific proteins are disrupted in B cell lymphomas, and this research utilised and was enabled by antibodies purchased from Abcam.

3. How many antibody products are there?

There are currently tens of thousands of antibodies. Abcam has over 23,000 antibodies to over 6,000 proteins in its online catalogue, making it the largest online antibody resource in the world. The human genome project alone has revealed possibly 20,000 to 25,000 genes and each gene potentially encodes at least one or possibly more proteins, each having a number of flavours and modifications, taking the number of potential antibodies that will be required in the future into the hundreds of thousands and making this an extremely exciting market.





4. Does Abcam make all its own products?

No, it is an important part of Abcam's strategy to be able to offer our customers the best antibodies in the world regardless of their source. Practically, this means we source our products from trusted suppliers and from academic institutes as well as from our own laboratories. If we do not think a product is up to scratch, whether it is our own or from one of our suppliers, we will unpublish it. Using this strategy Abcam has succeeded in having a unique product offering of exceptional value to the customer who is assured that they are purchasing the best possible product.

5. What percentage of your revenues are your own products?

Currently it is around 13% of our revenues and we plan to increase this as our own production is ramped up.

6. Are there other companies doing the same as Abcam?

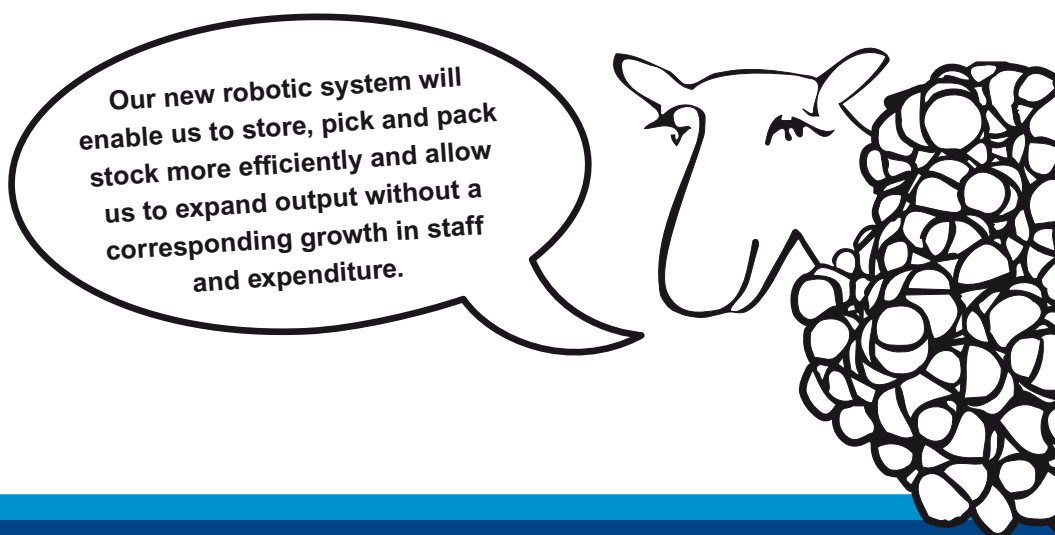
There are many other companies that sell antibodies but none as far as we can tell that has the same unique product offering. We have the largest online catalogue in the industry coupled with the most detailed datasheets and fast delivery of the best in the world antibodies. We do not rest on our laurels however and are aware that the market for antibodies does not stand still so we need to keep improving and modifying our product offering to match.

7. Are you a biotech company or a distributor?

Neither and both. Abcam's unique product offering and business model means that the Company does not fit neatly into any one box. We manufacture our own products and we distribute and we are at the cutting edge of bioscience and biomedical research.

8. What are the biggest opportunities for growth and what are the risks?

In the research reagent market the opportunities and risks are two sides of the same coin. If a company can offer a large catalogue of high quality research antibodies coupled with detailed information on each product it will succeed and win in this exciting market. Other risks are operational and regulatory in nature such as business interruption or changes in the import regulations for biomedical products.



Financial Review



Equity

On 3 November 2005, the Company was admitted to the AiM. In the process, 5,988,024 1p ordinary shares were issued at a price of 167p per share, raising £10.0m gross (£9.2m after expenses).

Additionally, during the year 6,789 4p ordinary shares (equivalent to 271,560 1p ordinary shares) and 400,280 1p ordinary shares were also issued pursuant to the exercise of share options raising £118,000. Full details are set out in note 19 to the accounts.

Sales

Sales in the year increased to £19.4m, from £12.1m in the previous year. Sales increases in the main territories in which the Company operates over the previous year were as follows:

USA and Canada	65%
UK	36%
EU (excluding UK)	39%
Japan	60%
Rest of World	58%

The increase was particularly high in the USA where the Company's subsidiary, which was established in 2003, has successfully taken advantage of its presence in the country.

Gross margins

The Company's gross margins, at 61.3%, remained broadly at the same level as the previous year's 61.5%. While there were some price rises from suppliers, these were quite modest and were largely offset by reductions in shipping rates and other costs.

Administrative expenses

Although administrative expenses, which includes marketing and distribution costs, increased from £4.0m to £6.1m they decreased as a percentage of sales from 32.7% in the previous year to 31.5% this year despite the additional costs incurred as a result of Abcam being a public company.

Research and development expenses

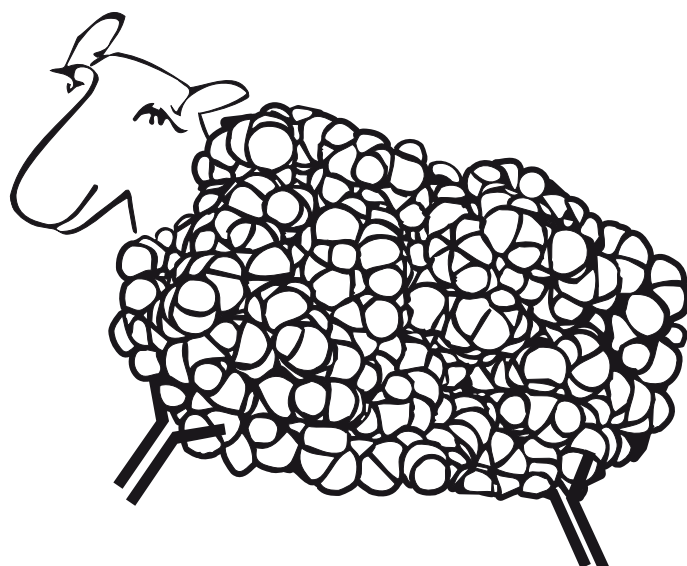
R&D expenditure increased significantly from 4.8% of sales to 6.3%. This is due to the Company's increasing drive to develop new products.

Profits

Operating profits increased from £2.9m in the year ended June 2005 to £4.6m, although they fell slightly as a percentage of sales from 24.0% to 23.7% because of the increased R&D effort.

Interest income rose due to investment of the money raised at the IPO.

Hundreds of thousands of antibodies are likely to be needed in the future and Abcam is going to be at the forefront of supplying them.



Tax

The consolidated tax charge of £0.7m in the year ended 30 June 2005, which was 23.4% of profits before tax, rose to £1.2m, which is 24.9% of profits before tax for the year ended 30 June 2006. The main reason for the increased percentage is the higher proportion of the Group's profits being earned in the US, where taxes on profits are higher than in the UK.

Inventories

Inventory levels rose more rapidly than sales due predominantly to an increase of Abcam own-produced inventories. This is because the production of antibodies involves batch sizes which are larger than the quantities required for immediate sale. Consequently the levels of inventories for these products is higher than would be the case for bought-in products.

Debtors

Although a proportion of the Group's customers pay by credit card, the majority of sales are on credit, and so credit control is important to the management of working capital. Debtors are monitored by measuring the number of debtor days, and these improved slightly during the year, improving from 47 in the previous year to just over 45.

Creditors

Creditors rose from £2.1m to £3.0m, an increase of 41%. This percentage increase is less than the overall increase of 60% of sales due to a lower level of purchases just before the end of the year together with a relatively lower level of accrued expenses at 30 June 2006 compared to the previous year.

Currency exposure

The Group generates significant amounts of surplus dollars and euros. The policy for dealing with these is to sell forward at the start of each financial year 80% of the forecast surpluses month by month in order to minimise variations from budget due to exchange rates. In order therefore to hedge the exposure during the year commencing 1 July 2006 the Company had forward exchange contracts in place to sell \$9.6m and €3.6m. These contracts are essentially at rates of £1 to \$1.79 and £1 to €1.47.

Eddie Powell

Finance Director
4 September 2006

The Directors



David Cleevly, PhD, 53 Chairman

David Cleevly is the Chairman of the Communications Research Network, part of the Cambridge MIT Institute, and the founder and former Chairman of telecoms consultancy Analysys (acquired by Datatec International in 2004). In 1998, he co-founded Abcam with Jonathan Milner (CEO) and Tony Kouzarides. He has been directly involved with 3WayNetworks, Hotxt, Bango, Cambridge Network and Cambridge Wireless. He is also a member of the Ofcom Spectrum Advisory Board, the Expert Panel for the Department of Media, Culture and Sport and the IET Telecoms Sector Panel. Since selling Analysys he has continued to develop his business and academic interests and he currently holds an Industrial Fellowship at the University of Cambridge Computer Laboratory.

Jonathan Milner, PhD, 41 Chief Executive Officer

Jonathan Milner has a degree in Applied Biology from Bath University and a PhD in Molecular Genetics from Leicester University. From 1992 to 1995, he was a research fellow for Pfizer Pharmaceuticals in the laboratory of Professor Tony Rees at the University of Bath, and from 1995 until 1998, he was a research fellow at Cambridge University in the laboratory of Professor Tony Kouzarides, where he studied genes and proteins associated with human cancers. While working at this research he saw the opportunity to market antibodies created by the human genome project over the Internet, which was becoming increasingly popular at that time, and in February 1998 he proceeded to found Abcam with David Cleevly and Tony Kouzarides.

Jim Warwick, MA, 41 Managing Director

Jim Warwick has a degree in Computer Science from Cambridge University. From 1986 to 2003, he worked for Analysys, a Cambridge-based telecoms consultancy, heading up their IT, software and web development initiatives. During this period he also held a number of external non-executive directorships, including Workbench Software Ltd, a start-up with a targeted software package for time-recording systems, and VBN Ltd, a web-based hosting company specialising in business cluster and innovation network solutions. He joined Abcam in 2001 as Technical Director, initially on a part-time basis but as a full-time employee from 2003. He has overseen the expansion of Abcam's bespoke web-based systems. Jim was promoted to Managing Director of Abcam Ltd in June 2004.

Eddie Powell, PhD, FCA, 58 Finance Director

Eddie Powell gained a first degree followed by a PhD in Chemistry at Cambridge and then qualified in 1976 as a chartered accountant with Peat, Marwick, Mitchell (now KPMG) in London. He then worked for two years as a Financial Controller in Frankfurt, Germany. After returning to the UK, he joined Marconi Instruments, a £100 million-turnover subsidiary of GEC, as Financial Controller, and then later became Finance Director. In 1990, he moved to Colt, a privately owned light engineering group with a turnover of £90 million and operations in eight countries, as Group Finance Director. He joined Abcam in March 2000 as Finance Director, and has there overseen the financial side of the Company during a period of rapid growth and then through the Company's IPO.



Tony Kouzarides, PhD, 48 Non-Executive Director

Tony Kouzarides has a degree in Molecular Genetics from Leeds University and a PhD in Virology from Cambridge University. He was subsequently awarded a research fellowship from Fitzwilliam College, Cambridge. From 1986 to 1989, he spent three years working as a research fellow in the laboratory of Professor Ed Ziff at New York University Medical Center, where he discovered a fundamental principle underlying the association of proteins involved in human cancer. He was awarded a professorship at the University of Cambridge in 1999 and now oversees a group of scientists studying genes and proteins associated with human cancers. He is a co-founder of Chroma Therapeutics, a company developing cancer drugs. He has played a central role in expanding Abcam's own antibody product range into the Chromatin research area.

Peter Keen, BSc, ACA, 49 Non-Executive Director

Peter Keen is a Chartered Accountant with over 20 years' experience in the financing and management of biotechnology companies. After experience in the agricultural biotechnology and medical diagnostics sectors he was a co-founder and Finance Director of Chiroscience Group plc, where he led the IPO in 1994. He then helped establish Merlin Biosciences, where he was UK Managing Director, and was responsible for the investment as well as being a Non-Executive Director of a number of companies including Ark Therapeutics, Arakis, Biovex, Cyclacel, Intercytex, Microscience, ReNeuron and Vectura. More recently, he was Chief Financial Officer of Arakis Ltd until its successful trade sale in 2005. He is currently a Non-Executive Director of Ark Therapeutics plc and the Finsbury Emerging Biotechnology Trust plc and acts as an advisor to various other organisations.

Tim Dye, MA, 43 Non-Executive Director

Tim Dye is currently Chairman and Chief Executive of William Ransom & Son plc, an AiM-quoted business specialising in the manufacture, sales and marketing of natural healthcare products, as well as a Director of Noble Troy Ltd. Through a series of successful acquisitions, he has led the transformation of William Ransom into one of the UK's largest natural healthcare groups. Prior to joining Ransom in 1999, and following an early career as a strategy consultant, he founded and ran businesses in automated meter reading, environmental management and property development. He has a degree in Economics from Cambridge University.

Mark Webster, 44 Non-Executive Director

Mark Webster joined Abbott Laboratories in 1998, ran the UK Pharmaceutical and Hospital Divisions before moving to Montreal, Canada in 1997 and then Chicago, USA in 1999, as Vice President Anti-Virals, US Pharmaceuticals. Here he launched Kaletra for HIV infection which became a \$1 billion product. In 2001 Mark joined Shire Pharmaceuticals as Head of Global Strategic Marketing and Licensing/Acquisitions and a member of the Executive Committee. He then joined Bayer Healthcare, based in Germany in 2004 as Senior Vice President, Head of Global Strategic Marketing and Licensing/Acquisitions and a member of Bayer Pharmaceutical's Management Committee. Mark has a degree in Chemistry from Durham University.

Corporate Directory

Directors

Chairman

Dr David Cleevely

Chief Executive Officer

Dr Jonathan Milner

Finance Director

Dr Eddie Powell

Managing Director

Mr Jim Warwick

Non-Executive Directors

Mr Tim Dye

Mr Peter Keen

Prof Tony Kouzarides

Mr Mark Webster

Company Secretary and Registered Office

Mr Tom Maguire

332 Cambridge Science Park

Cambridge

CB4 0FW

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EC4V 4JL

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Deloitte & Touche LLP

Chartered Accountants

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Cambridge

CB2 1RY

Public Relations Advisors

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London

EC2Y 9AE

Bankers

National Westminster Bank Plc

King's Parade

Cambridge

CB2 3PU

Registrars

Capita IRG Plc

Northern House

Woodsome Park

Fenay Bridge

Huddersfield

HD8 0LA

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 June 2006.

Principal activities

The Group's activities consist of the development, marketing and selling of antibodies and closely related products. The Group sells through the Internet to customers in most countries of the world. The Group operates through its parent company Abcam plc and through its wholly owned subsidiary Abcam Inc. It recently incorporated a wholly owned subsidiary in Japan in order to support its Japanese distributor and to service that market directly.

The Company is increasing its investment in research and development in order to strengthen its catalogue of own products.

Business review

As shown in the Group's profit and loss account sales increased by 60% over the previous year and pre-tax profits increased by 65%. The Group's cash and short term deposits rose from £1.5 million at 30 June 2005 to £11.9 million at 30 June 2006 with £9.3 million of the increase coming from the issue of new shares net of expenses.

A more detailed review of the business is set out in the Chief Executive Officer's and Managing Director's reports together with the Financial Review.

The Group's management uses key performance indicators (KPIs) to monitor the progress of the business. Important KPIs are:

KPI	30 June 2006	30 June 2005	30 June 2004
Number of products published	23,200	16,500	10,300
Sales per employee £000	223	209	187
Profit before tax to sales	25.3%	24.5%	21.6%
Number of debtor days	45	47	41

Principal risks and uncertainties

The Group faces the competitive and strategic risks that are inherent in a rapidly growing market, and the Group's Board and executive management keep future strategy under regular review.

The Group has an exposure to exchange rates, in particular the strength of sterling relative to the US dollar and to the euro. Although there are significant natural hedges in place due to the fact that the Group is able to utilise a large proportion of its dollar and euro income to pay for outgoings in those currencies, the Group still generates surpluses of both currencies. The Board's policy for dealing with these is to sell forward 80% of the expected surplus currencies at the start of each financial year in order to eliminate most of the short term exposure. However if there are longer term movements in the relative strength of sterling then these will impact the Group's profits. For further details on the use of financial instruments see note 16.

The Group's activities involve importing its products across many borders. Any changes to the regulations covering such movements might have an effect on the Group's trading activities.

Post balance sheet events

On 11 August 2006 the Company entered into an agreement with Triple Point Biologics Inc. Under the terms of the deal, Abcam will acquire the exclusive worldwide distribution rights to distribute that company's complete range of products for a period of ten years for an initial payment of \$2 million plus an earn-out payment based on a percentage of sales achieved during the first four years, subject to a cap of \$8 million. The Directors expect the provision for the earn-out payment will amount to approximately \$1.4 million. In addition Abcam will pay a royalty based on a percentage of sales for the entire 10 year term

Dividends

The Directors recommend a final dividend of 2.0p per ordinary share to be paid on 22 November 2006 to shareholders on the register on 27 October 2006, which, together with the interim dividends of 3.25p paid on 28 October 2005 and 0.7p paid on 7 April 2006, makes a total of 5.95p (2005: 4.79p) for the year.

Directors

The Directors who held office during the year, and their interests in the share capital of the Company on 30 June 2006, other than with respect to share options (which are detailed in the Directors' Remuneration Report), were as follows:

	1p ordinary shares on 30 June 2006	4p ordinary shares on 30 June 2005 or date of appointment
David Cleevely	5,054,760	238,669
Peter Keen	8,982	nil
Tony Kouzarides	629,080	15,727
Jonathan Milner	9,744,960	275,477
Eddie Powell	726,240	32,036
Jim Warwick	860,200	20,925

Peter Keen was appointed to the Board on 27 October 2005.

On 1 July 2006 Tim Dye and Mark Webster were appointed to the Board as Non-Executive Directors.

All of the Directors will retire and offer themselves for re-election at the forthcoming Annual General Meeting.

Supplier payment policy

It is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed with them, provided that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

On 30 June 2006, the Group had an average of 32 days of purchases (2005: 29) outstanding in trade creditors.

Directors' Report continued

Charitable and political donations

The Group made charitable donations during the year of £2,646 (2005: £nil), principally to charities serving the communities in which it operates.

The Group made no political donations during the year (2005: £nil).

Substantial shareholdings

Other than Directors' interests, which are set out above, no shareholders have notified the Company that they hold 3% or more of the issued share capital of the Company at 23 August 2006.

Going concern

The Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future, and for this reason they continue to prepare the financial statements on a going-concern basis.

Auditors

In the case of each of the Directors of the Company at the date when this report is approved:

- As far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware.
- Each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) 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 provision of S234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

David Cleevely

Chairman

4 September 2006

Corporate Governance

The Company believes that effective corporate governance, appropriate to the Company considering its size and stage of development, will assist in delivering shareholder value. In the admission document issued prior to admission to AiM, the Directors stated their intention that, wherever it was reasonably practicable, the Company should be managed according to the principles set out in the revised Combined Code on Corporate Governance. The details of how the Company follows the Code are set out below.

The role of the Board

During the four years leading up to the Company's admittance to AiM, the Board comprised three Executive Directors and two Non-Executive Directors, none of whom was deemed to be independent. In October 2005, shortly before the Company was admitted to AiM, an independent Director – Peter Keen – joined the Board, and he took on the responsibility of chairing the Audit and Remuneration Committees. The Board continued to seek additional independent Directors and evaluated the ideal skill sets that would enhance its operation, and on 1 July 2006 two new members – Tim Dye and Mark Webster – were appointed. They will contribute their expertise in public companies, operations, manufacturing and sales and marketing.

The Board now comprises a Non-Executive Chairman, who is not deemed to be independent because of his shareholdings, three full-time Executive Directors and four other Non-Executive Directors, three of whom are deemed to be independent because they have either very few or no shares or share options. The roles of Chairman and Chief Executive Officer are vested in separate individuals.

Throughout the period since listing, the Board has met on a monthly basis. The principal matters that it considers are as follows:

- Monthly management accounts and performance against budget.
- Regular reviews of R&D, operations and product line acquisition.
- An annual review of strategic objectives and Company priorities.
- The Company budget.
- Reporting including statutory accounts, dividend policy, dividend payments and the AGM.
- Performance of the Board and sub-Committees;
- Reports of the Audit, Nomination and Remuneration Committees.
- An annual review of risk-management strategy and controls and a six-monthly review of the risk register.
- Matters relating to the Company's obligations as a listed company.
- Management of funds and major capital expenditure, including proposals for mergers or acquisitions of other companies or product lines.

The Board will in future meet bi-monthly and in those months when the Board does not meet members will continue to be informed on a formal reporting basis of financial results and key issues.

The Board has introduced a policy to set out which matters are reserved for the decision of the Board, and to clarify those matters which the Executive Directors need not refer for approval.

This policy also identifies those matters regarding which full delegation to a Board Committee is not normally permitted, because a final decision on the matter is required to be taken by the whole Board. Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees.

The Board has established the following three committees:

- The Audit Committee.
- The Nomination Committee.
- The Remuneration Committee.

Following the appointment of Tim Dye and Mark Webster as Independent Non-Executive Directors it is the intention of the Board to review the membership of the committees in 2007.

Each of the committees is described in more detail below.

The Audit Committee

The Committee is made up of three Non-Executive Directors. The Chairman is Peter Keen, who is a Chartered Accountant, with David Cleevely and Tony Kouzarides being the other Directors on the Committee.

The Committee has responsibility for the following matters:

- To review the accounts and the key judgements and policies underlying them in relation to the interim and annual financial statements before they are submitted to the Board for final approval.
- To review the management's reports on internal controls.
- To review the Group's risk-management process, including the adequacy of insurance cover.
- To review the appointment of the external auditor together with the audit fee.
- To monitor the audit and non-audit work of the external auditors, including reviewing any management letters and the Company's response.

As part of its procedures, the Committee discusses the interim and annual financial statements with the external auditors. When appropriate, non-Committee members are invited to attend. During the period the Committee has met twice on a formal basis and a number of times informally. In future, the Committee is expected to meet formally twice a year.

Corporate Governance continued

The Nomination Committee

The Committee consists of three Non-Executive Directors: David Cleevely (Chairman), Peter Keen and Tony Kouzarides. It is responsible for the following matters:

- To identify and nominate suitable candidates to fill vacancies on the Board.
- To review succession planning for both directors and the management team.

The Committee has been active over the last few months in handling the recruitment of the two Non-Executive Directors who have now been appointed to the Board. This process involved identifying a wide range of potential candidates through various intermediaries, including Board members of other companies, professional investors and corporate advisors. The Committee interviewed a number of candidates and then drew up a shortlist of four to be interviewed by the rest of the Board. Final selection was then made by the whole Board.

The Remuneration Committee

During the year, the Committee consisted of three Non-Executive Directors: Peter Keen (Chairman), David Cleevely and Tony Kouzarides.

The Committee is responsible for the following matters:

- Setting the basic pay of Executive Directors and the remuneration of the chairman.
- Setting a performance-related bonus plan for the Executive Directors, including determining the extent to which they participate in the Company's Profit Share Scheme (PSS).
- Agreeing the allocation and term for the granting of new share options to Executive Directors.
- Determining the Executive Directors' pension contributions.
- Overseeing the overall annual pay review for the Group.

The Committee aims to set levels of remuneration for Executive Directors that are appropriate for the size and complexity of the Group. It aims to see that a significant proportion of their remuneration package is performance-related.

The Committee is also responsible for overseeing the Company's PSS and its share option scheme, both of which are reviewed each year.

Internal Control

The board acknowledges its responsibility for safeguarding the shareholders' investment and the Group's assets. In applying this principle, the Board recognises that it has overall responsibility for ensuring that the Group maintains a system of internal control to provide it with reasonable assurance regarding effective and efficient operation, internal financial control and compliance with laws and regulations.

Through the audit committee and meetings with the auditors, the Directors have reviewed the effectiveness of the internal controls, and have undertaken an exercise to ensure that the Group have an appropriate control environment for the size and complexity of the company. The management team intend to ensure that the internal control environment develops with the size of the company, in respect of the identification, evaluation and monitoring of risk.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute assurance against material loss or misstatement.

Dialogue with shareholders

The Board believes it is important to have open communications with shareholders. To this end, the CEO and Finance Director, working in consultation with the Company's corporate and PR advisors, make themselves available on a regular basis and expect to meet with shareholders at least twice a year. The Board intends to give a presentation on progress within the Company at the AGM.

Directors' Remuneration Report

Remuneration report

The Group has a Remuneration Committee ('the Committee') which, wherever possible, is constituted in accordance with the recommendations of the Combined Code.

In considering the Executive Directors' remuneration for the year, the Committee consulted the CEO about its proposals and reviewed executive compensation packages in the UK for AiM-listed companies of comparable size. It also referred to a number of specialist studies on executive remuneration.

Remuneration policy

The four main elements of the remuneration package for the Executive Directors are as follows:

- Basic annual salary.
- The Abcam PSS and individual performance-related targets, which, if targets are met, amount to 50% of basic salary paid in cash.
- Share-option incentives.
- Pension arrangements.

The Group's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance-related.

Basic salary

An Executive Director's basic salary is determined by the Committee at the beginning of each financial year. Salaries were amended at the time of the listing of the Company on AiM in November 2005, and were reviewed in June 2006, with increases taking effect from 1 July 2006. Executive Directors' service contracts, which include details of remuneration, will be available for inspection at the AGM.

Outside of basic salary and pension contributions, the Executive Directors currently receive no benefits in kind.

Performance-related payments

The Group operates a PSS whereby 10% of profits above a minimum ratio of net profit to sales are allocated to all employees, including the Executive Directors, on a points system.

During the year under review, all of the Executive Directors' performance-related payments were derived from their participation in the PSS. For the year ending 30 June 2007, this has been amended to incorporate performance criteria related to the objectives for that particular individual, which are directly related to defined strategic objectives. If the Company achieves the budgeted profit to sales ratio, and an Executive Director achieves all of his personal objectives, he may earn 50% of his basic salary as performance-related pay, 40% from the PSS and 10% from the individual bonus. The PSS payment is not capped, and so if the Company exceeds its targets additional payments may be made. Payments on account from the PSS are made each quarter, although at no stage will they exceed 85% of the amount due until the audited accounts are approved.

The PSS scheme for all staff, including Executive Directors, is pensionable. The performance-related bonuses are non-pensionable.

Share options

No options over ordinary shares have been granted since the IPO in November 2005.

It is the intention to grant additional options on a regular basis to the Executive Directors under the Abcam plc 2005 plan. While the value of such options may vary, it is the current plan to issue options on an annual basis with a value equivalent to 100% of basic salary and with performance conditions which comply with guidelines and best practice governing the grant of share-based incentives in a listed company, to the extent to which the Committee considers such practice to be appropriate to the Group.

Options will be granted to the Executive Directors on this basis, i.e. at 100% of base salary calculated on the market price at the date of grant, which is anticipated to be within the window of 15 days following publication of this report.

Options in the past have not been performance-linked. For this grant the performance conditions are based on out-performance of the FTSE AiM index measured on the third anniversary of the date of grant. If the target is achieved, then options are exercisable during the next seven years, subject to the rules of the scheme. If the target is not met at the third anniversary, then it is monitored on certain dates over the next 12 months. If the target is met on any of those dates, then the options become exercisable. If the target is not met on any of those dates, the options will lapse on the fourth anniversary.

The Company has also established a non-discretionary Inland Revenue-approved SAYE scheme in which the Executive Directors may participate. Under this scheme, employees can contract to save any amount, up to a maximum of £250 per month, of their post-tax earnings for a period of either three or five years. At the time of entering the contract the Company will offer the employee the option to acquire shares, using the money that has been saved over the life of the contract. The price at which the shares can be purchased will be the market value of the shares on the date immediately preceding the offer at a discount of 20%.

In the period since listing on AiM, no share options were granted to Non-Executive Directors. There are no plans for any such grants in the future.

Pension arrangements

In the UK, all employees, including Executive Directors, are invited to participate in the Group Personal Pension Plan, which is money-purchase in nature. The pensionable element of remuneration is basic salary plus on-target earnings from the PSS. During the year, the Group contributed a maximum of 5% of basic salary for Executive Directors to a Group personal pension scheme in the name of each Executive Director. For the year ending 30 June 2007, this has been increased for Executive Directors to 6% of on-target earnings, excluding the individual performance bonus.

Directors' Remuneration Report continued

Remuneration details

	Basic salary £000	Benefits in kind £000	Performance payments £000	Employer's pension contributions £000	Notional gain on options exercised £000	2006 total £000	2005 total £000
David Cleevly	43	–	–	–	31	74	30
Peter Keen	18	–	–	–	–	18	nil
Tony Kouzarides	20	–	–	–	46	66	10
Jonathan Milner	126	5	46	7	68	252	150
Eddie Powell	87	–	56	10	51	204	115
Jim Warwick	90	–	46	15	53	204	114

Directors had the following interests in options over the ordinary shares in the Company:

	Share options held at 30 June 2006 over 1p ordinary shares	Share options held at 30 June 2005 over 4p ordinary shares	Option exercise price for 1p ordinary shares	Exercise period
David Cleevly	40,000	500	125p	31/01/06 to 29/09/15
Peter Keen	60,000	nil	150p	31/01/06 to 26/10/15
Tony Kouzarides	40,000	738	125p	31/01/06 to 29/09/15
Jonathan Milner	40,000	1,200	62.5p	27/07/07 to 29/09/15
Eddie Powell	40,000	900	62.5p	27/07/07 to 29/09/15
Jim Warwick	40,000	5,335	62.5p	27/07/07 to 29/09/15

Directors were granted and they exercised the following numbers of share options during the year:

	Class of ordinary share	Number of options at 30 June 2005	Number of options granted in year	Numbers of options converted from 4p ordinary shares to 1p ordinary shares	Number of options exercised in year	Number of options at 30 June 2006
David Cleevly	4p	500	1,000	(1,500)	–	–
	1p	–	–	60,000	(20,000)	40,000
Peter Keen	4p	–	1,500	(1,500)	–	–
	1p	–	–	60,000	–	60,000
Tony Kouzarides	4p	738	1,000	(1,738)	–	–
	1p	–	–	69,520	(29,520)	40,000
Jonathan Milner	4p	1,200	1,000	(2,200)	–	–
	1p	–	–	88,000	(48,000)	40,000
Eddie Powell	4p	900	1,000	(1,900)	–	–
	1p	–	–	76,000	(36,000)	40,000
Jim Warwick	4p	5,335	1,000	(4,425)	(1,910)	–
	1p	–	–	177,000	(37,000)	140,000

The notional gain on options exercised is the market value of the shares at date of exercise less the exercise price payable. The notional gain is before taking account of any tax liability that may arise.

During the year the Company's shares were reorganised, with each 4p ordinary share effectively being replaced with 40 1p ordinary shares. See note 19 to the accounts for a detailed reconciliation of the reorganisation.

Directors' contracts

The notice periods for directors are as follows:

	Date of contract	Notice period (months)
David Cleevly	28 October 2002	1
Peter Keen	27 October 2005	1
Tony Kouzarides	28 October 2002	1
Jonathan Milner	10 June 2000	6
Eddie Powell	11 August 2000	6
Jim Warwick	1 September 2001	6

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare the accounts for the Company and the Group in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed; and
- (d) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Independent Auditors' Report to the Members of Abcam plc

We have audited the Group and individual Company financial statements (the 'financial statements') of Abcam plc for the year ended 30 June 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual Company balance sheets, the consolidated cash flow statement, the notes to the consolidated cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual Company's affairs as at 30 June 2006 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cambridge, UK
5 September 2006

Consolidated Profit and Loss Account

Year ended 30 June 2006

	Note	Year to 30/6/06 £000	Year to 30/6/05 £000
TURNOVER	2	19,362	12,135
Cost of sales		(7,485)	(4,678)
GROSS PROFIT		11,877	7,457
EXPENSES			
Administrative expenses		(6,106)	(3,972)
Research and development expenses		(1,226)	(582)
		(7,332)	(4,554)
Other operating income		4,545	2,903
		42	15
OPERATING PROFIT	4	4,587	2,918
Interest receivable and similar income		313	59
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,900	2,977
Tax on profit on ordinary activities	6	(1,221)	(696)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	3,679	2,281
EARNINGS PER SHARE			
Basic earnings per share	9	11.53p	8.59p
Fully diluted earnings per share		11.13p	8.47p
Dividends paid per share	8	5.95p	4.79p

All activities derive from continuing operations.

The statement of movements on reserves is shown in note 20.

Consolidated Statement of Total Recognised Gains and Losses

Year ended 30 June 2006

	Year to 30/6/06 £000	Year to 30/6/05 £000
Profit for the financial year	3,679	2,281
Foreign exchange differences	(23)	11
Total recognised gains and losses since the last annual report	3,656	2,292

Consolidated Balance Sheet

30 June 2006

	Note	30/6/06 £000	30/6/05 £000
FIXED ASSETS			
Intangible assets	10	77	–
Tangible assets	11	1,094	835
		1,171	835
CURRENT ASSETS			
Stocks	13	2,358	1,187
Debtors	14	2,762	1,912
Short term investments	16	11,000	1,000
Cash at bank and in hand	16	884	510
		17,004	4,609
CREDITORS: amounts falling due within one year	15	(3,023)	(2,149)
NET CURRENT ASSETS		13,981	2,460
TOTAL ASSETS LESS CURRENT LIABILITIES		15,152	3,295
PROVISIONS FOR LIABILITIES AND CHARGES	18	(112)	(80)
NET ASSETS		15,040	3,215
CAPITAL AND RESERVES			
Called up share capital	19	345	28
Share premium account	20	10,573	1,568
Other reserves	20	335	335
Foreign exchange reserve	20	(8)	15
Profit and loss account	20	3,795	1,269
TOTAL EQUITY SHAREHOLDERS' FUNDS	21	15,040	3,215

These financial statements were approved by the Board of Directors on 4 September 2006.

Signed on behalf of the Board of Directors.

[Eddie Powell](#)
Finance Director

Company Balance Sheet

30 June 2006

	Note	30/6/06 £000	30/6/05 £000
FIXED ASSETS			
Intangible assets	10	77	–
Tangible assets	11	901	724
Investments	12	16	6
		994	730
CURRENT ASSETS			
Stocks	13	2,348	1,182
Debtors	14	2,676	1,932
Short term investments		11,000	1,000
Cash at bank and in hand		312	208
		16,336	4,322
CREDITORS: amounts falling due within one year	15	(2,705)	(1,909)
		13,631	2,413
NET CURRENT ASSETS			
		14,625	3,143
TOTAL ASSETS LESS CURRENT LIABILITIES			
		14,625	3,143
PROVISIONS FOR LIABILITIES AND CHARGES	18	(103)	(74)
		14,522	3,069
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	19	345	28
Share premium account	20	10,573	1,568
Other reserves	20	335	335
Profit and loss account	20	3,269	1,138
		14,522	3,069
TOTAL EQUITY SHAREHOLDERS' FUNDS			

These financial statements were approved by the Board of Directors on 4 September 2006.

Signed on behalf of the Board of Directors.

[Eddie Powell](#)
Finance Director

Consolidated Cash Flow Statement

Year ended 30 June 2006

	Note	Year to 30/6/06 £000	Year to 30/6/06 £000	Year to 30/6/05 £000	Year to 30/6/05 £000
Net cash inflow from operating activities	A		3,547		2,571
Returns on investments and servicing of finance					
Interest received		313		59	
Net cash inflow from returns on investments and servicing of finance			313		59
Taxation					
Corporation tax paid		(954)		(700)	
Tax paid			(954)		(700)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(597)		(847)	
Payments to acquire intangible fixed assets		(100)			
Receipts from sales of tangible fixed assets		6		22	
Net cash outflow from capital expenditure and financial investment			(691)		(825)
Equity dividends paid			(1,153)		(1,317)
Net cash outflow before management of liquid resources and financing			1,062		(212)
Management of liquid resources					
Increase in short term deposits		(10,000)		(150)	
Net cash outflow from management of liquid resources			(10,000)		(150)
Financing					
Issue of ordinary share capital		9,322		570	
Net cash inflow from financing			9,322		570
Increase in cash	B,C		384		208

Notes to the Consolidated Cash Flow Statement

Year ended 30 June 2006

A Reconciliation of operating profit to net cash inflow from operating activities

	Year to 30/6/06 £000	Year to 30/6/05 £000
Operating profit	4,587	2,918
Depreciation and amortisation	355	153
(Profit)/loss on sale of tangible fixed assets	(3)	12
Increase in stocks	(1,171)	(629)
Increase in debtors	(850)	(911)
Increase in creditors	629	1,028
Net cash inflow from operating activities	3,547	2,571

B Analysis of net funds

	At 01/7/05 £000	Cash Flow £000	Exchange movement £000	At 30/6/06 £000
Cash in hand and at bank	510	384	(10)	884
Current asset investments	1,000	10,000		11,000
Total	1,510	10,384	(10)	11,884

C Reconciliation of net cash flow to movement in net funds

	Year to 30/6/06 £000	Year to 30/6/06 £000	Year to 30/6/05 £000	Year to 30/6/05 £000
Increase in cash in the year	384		208	
Cash outflow from decrease in liquid resources	10,000		150	
Change in net funds resulting from cash flows		10,384		358
Translation difference		(10)		28
Movement in net funds in the year		10,374		386
Net funds at start of year		1,510		1,124
Net funds at end of year		11,884		1,510

Notes to the Accounts

Year ended 30 June 2006

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings Abcam Inc., Abcam KK and Camgene Ltd.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided at cost in equal instalments over the estimated lives of the fixed assets.

The depreciation rates generally used are shown below:

Office equipment, fixtures and fittings	20% per annum
Laboratory equipment	20% per annum
Computer equipment	33% per annum
Motor vehicles	33% per annum

Depreciation is accelerated if assets are deemed to have been impaired or there is a change in the residual economic life.

Intangible assets

The Company acquires hybridomas for generating monoclonal antibodies either by licensing them in or by developing them itself. The up-front fees paid for licensing hybridomas in and the cost of developing hybridomas themselves are capitalised in line with SSAP 13, and these costs are then amortised over their estimated minimum useful lives of three years.

Provision is made for any impairment.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Current asset investments are held at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs include materials, direct labour and an attributable portion of production overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which represent an obligation at the balance sheet date to pay more tax or a right to pay less tax at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

1 Accounting policies continued

Pensions

The Group operates a defined contribution pension scheme in the UK, which is open to all employees and Directors of the Company.

The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Any differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

The amount included in the profit and loss account in the year in respect of the pension scheme was £88,000 (2005: £47,000).

The amounts included in creditors at 30 June 2006 in relation to the defined contribution pension scheme is £10,000 (2005: £3,000).

Research and development

Research and development expenditure, other than the development costs for internally produced hybridomas (see intangible assets above), is charged to the profit and loss account as incurred.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Foreign exchange

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date or, if appropriate, at the forward contract rate.

These translation differences are dealt with in the profit and loss account.

The results of the operations of the Company's overseas subsidiaries, Abcam Inc. and Abcam KK, are translated at the average rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on the translation of the opening net assets and results of operations are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements.

The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency as the hedged item, and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the Group's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Government grants

Amounts receivable under government grants are credited to the profit and loss account as the related expenditure is incurred, and is included in other operating income. £42,000 has been recognised in the profit and loss account in the period (2005 – £nil) in relation to a grant for the Epitron project, which is for the research and technological development of an epigenetic treatment for neoplastic disease.

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax.

Revenue is recognised on despatch to the customer.

Notes to the Accounts continued

Year ended 30 June 2006

3 Information regarding employees

Group

	Year to 30/6/06 No.	Year to 30/6/05 No.
Average monthly number of employees (including Executive Directors):		
Administrative, marketing and distribution	74	50
Laboratory	13	8
	87	58

	£000	£000
Staff costs during the year (including Directors)		
Wages and salaries	3,122	1,999
Social security costs	351	173
Pension costs	105	55
Charge in respect of share options granted	–	17
	3,578	2,244

Company

	No.	No.
Average monthly number of employees (including Executive Directors):		
Administrative, marketing and distribution	54	38
Laboratory	13	8
	67	46

	£000	£000
Staff costs during the year (including Directors)		
Wages and salaries	2,434	1,663
Social security costs	279	142
Pension costs	88	47
Charge in respect of share options granted	–	17
	2,801	1,869

4 Operating profit

Operating profit is after charging:

	Year to 30/6/06 £000	Year to 30/6/05 £000
Depreciation – owned assets	332	153
(Profit)/loss on disposal of fixed assets	(3)	12
Amortisation of intangible assets	23	–
Auditors' remuneration for audit services – Group and Company	51	26
Fees paid to the auditors for other services to the Group and the Company:	84	–
R&D expenditure	1,226	582
Rentals under operating leases:		
Land and buildings	246	198

5 Segmental reporting

Geographical segmental analysis:

	30/6/06 UK £000	30/6/06 US £000	30/6/05 UK £000	30/6/05 US £000
Net assets	14,522	518	3,069	146

The Company operates only one class of business.

An analysis of turnover and profit before tax by class of business and geographical location is not presented as in the opinion of the directors such disclosure would be prejudicial to the interests of the Group.

6 Tax on profit on ordinary activities

	Year to 30/6/06 £000	Year to 30/6/05 £000
Current tax		
UK corporation tax at 30% (2005: 30%)	942	662
Foreign tax	256	97
Adjustments in respect of prior periods – UK tax	(9)	(135)
Adjustments in respect of prior periods – foreign tax	–	(6)
Total current tax	1,189	618
Deferred tax		
Timing differences origination and reversal – UK tax	29	72
Timing differences origination and reversal – foreign tax	3	6
Total deferred tax	32	78
	1,221	696

The standard rate of current tax for the year is 30% (2005: 30%).

The current tax charge for the year reconciles to the standard rate as follows:

	Year to 30/6/06 £000	Year to 30/6/05 £000
Profit on ordinary activities before tax	4,900	2,977
Tax on profit on ordinary activities at standard rate of 30%	1,470	893
<i>Factors affecting charge for the year:</i>		
Capital allowances for year in excess of depreciation	(23)	(68)
Other timing differences	5	3
Expenses not deductible for tax purposes	28	66
Revenue items capitalised	(2)	–
R&D tax credit uplift	(120)	(66)
Deduction for exercise of share options	(225)	(97)
Adjustment in respect of prior years	(9)	(141)
Differences in tax rates	65	28
Current tax charge for the year	1,189	618

Notes to the Accounts continued

Year ended 30 June 2006

7 Profit attributable to the Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent's profit for the financial year before dividends amounted to £3,284,000 (2005: £2,118,000).

8 Dividends

	Year to 30/6/06 £000	Year to 30/6/05 £000
First interim dividend for the year ended 30 June 2006 of 3.25p (2005: 2.29p) per share	912	623
Second interim dividend for the year ended 30 June 2006 of 0.70p (2005: 2.50p) per share	241	694
	1,153	1,317
Proposed final dividend for the year ended 30 June 2006 of 2.0p (2005: nil)	689	–

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

9 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2006 £000	2005 £000
Profit for the financial year	3,679	2,281
	Number of shares	Number of shares
Weighted number of shares:		
Basic earnings per share	31,914,845	26,538,889
Assumed exercise of share options	845,725	353,907
Fully diluted earnings per share	33,050,430	26,932,877

10 Intangible assets

Group and Company

	Development costs and up-front licence fees for monoclonal antibodies £000
Cost	
As at 1 July 2005	
Additions in the year	100
At 30 June 2006	100
Accumulated amortisation	
As at 1 July 2005	
Charge for the year	23
At 30 June 2006	23
Net book value	
At 30 June 2006	77
At 30 June 2005	–

The amortisation period for development costs and up-front licence fees is three years.

Notes to the Accounts continued

Year ended 30 June 2006

11 Tangible fixed assets

	Computer equipment £000	Laboratory and operations equipment £000	Office equipment, fixtures and fittings £000	Total £000
Group				
Cost				
At 1 July 2005	155	262	639	1,056
Additions in year	101	458	38	597
Disposals in year	(4)	(2)	—	(6)
Exchange difference	(1)	(1)	(3)	(5)
At 30 June 2006	251	717	674	1,642
Accumulated depreciation				
At 1 July 2005	85	67	69	221
Charge for the year	54	69	209	332
Disposals in year	(3)	(2)	—	(5)
At 30 June 2006	136	134	278	548
Net book value				
At 30 June 2006	115	583	396	1,094
At 30 June 2005	70	195	570	835
Company				
Cost				
At 1 July 2005	133	239	550	922
Additions in year	77	363	29	469
Disposals in year	(4)	(3)	—	(7)
At 30 June 2006	206	599	579	1,384
Accumulated depreciation				
At 1 July 2005	77	61	60	198
Charge for the year	41	63	185	289
Disposals in year	(3)	(1)	—	(4)
At 30 June 2006	115	123	245	483
Net book value				
At 30 June 2006	91	476	334	901
At 30 June 2005	56	178	490	724

12 Fixed asset investments

Company

	Subsidiary undertakings £000
At 1 July 2005	6
Investment in Abcam KK	10
At 30 June 2006	16

Abcam KK was incorporated on 9 June 2006, and did not trade in the year.

The Company's subsidiaries at 30 June 2006 are:

	Nature of business	Country of incorporation	Proportion of shares owned	Proportion of voting power held
Abcam Inc.	Sale and distribution of antibodies	USA	100%	100%
Abcam KK	Dormant	Japan	100%	100%
Camgene	Dormant	UK	100%	100%

As at 30 June 2006 the called up share capital and reserves of Camgene were £10 (2005: £10). The company is dormant. All subsidiary companies have one class of ordinary shares.

13 Stocks

	Group 30/6/06 £000	Company 30/6/06 £000	Group 30/6/05 £000	Company 30/6/05 £000
Goods for resale	2,308	2,298	946	941
Work in progress	50	50	241	241
	2,358	2,348	1,187	1,182

14 Debtors

	Group 30/6/06 £000	Company 30/6/06 £000	Group 30/6/05 £000	Company 30/6/05 £000
Trade debtors	2,386	1,164	1,733	805
Owed by subsidiary undertaking	–	1,165	–	955
Other debtors and prepayments	376	347	179	172
	2,762	2,676	1,912	1,932

All amounts are due within one year.

Notes to the Accounts continued

Year ended 30 June 2006

15 Creditors: amounts falling due within one year

	Group 30/6/06 £	Company 30/6/06 £	Group 30/6/05 £	Company 30/6/05 £
Trade creditors	1,160	1,133	835	743
Corporation tax	562	411	327	251
Other taxes and social security	89	89	62	54
Other creditors	127	98	109	91
Accruals and deferred income	1,085	974	816	770
	3,023	2,705	2,149	1,909

16 Financial instruments

The Group does not undertake any speculative trading in financial instruments. Financial instruments comprise cash and short term investments together with debtors, creditors and accruals. Short term debtors and creditors have been excluded from the following disclosures other than the currency disclosures. The risks that arise from these instruments are currency exposure, interest rate, credit, and liquidity, and the policies followed throughout the year are as follows:

Currency risk

The Group operates in US dollars and euros as well as in sterling, having both income and expenses in all of these currencies, and this trading results in a surplus of dollars and euros. The Group hedges these surpluses at the start of each financial year in order to minimise the impact on that year's trading from exchange rate fluctuations. This is done by arranging forward exchange contracts month by month to sell the majority of the expected surpluses.

Interest rate risk

The Group places most of its liquid assets on deposit for periods of between one and six months and are all floating rate financial assets. These deposits are with recognised UK high street banks. Interest rates are based upon prevailing market rates. During the year the weighted average interest rate received on these deposits was 4.45% and the weighted average period to maturity for each currency was 13 days (2005-nil days).

Credit risk

The Group's main financial assets are cash deposits, bank accounts and trade debtors.

Credit risk is primarily attributable to its trade debtors. The average credit period taken on sales of goods is 45 days. An allowance has been made for potential bad debts in arriving at the amounts stated in the balance sheet. The Group has no significant concentration of credit risk in its debtors as the exposure is spread over a very wide range of customers.

The credit risk on cash deposits and bank accounts is limited because the counterparties are leading UK banks.

Liquidity risk

Liquidity is maintained by placing cash on deposit for relatively short periods of time in order to ensure that cash is available when the Group requires it. At 30 June the Group held the following liquid assets:

	30/6/06 £000	30/6/05 £000
Sterling cash deposits	11,000	1,000
Cash – sterling	205	80
Cash – US dollars	610	356
Cash – euros	59	74
Cash – yen	10	–
	11,884	1,510

At the balance sheet date Abcam plc was contracted to sell £5,362,000 of US\$ (2005: £5,057,000) and £2,433,000 of euros (2005: £2,320,000). The directors consider there to be no material difference between the book value and the fair value of the Group's financial assets as at the balance sheet date.

17 Financial commitments**Operating lease commitments**

At 30 June 2006 the following payments were committed to be paid during the next year in respect of operating leases:

	30/6/06 Land and buildings £000	30/6/05 Land and buildings £000
Group		
Leases which expire:		
Within 12 months	66	–
Within two to five years	–	68
After five years	209	177
	275	245
Company		
Leases which expire:		
After five years	275	177

18 Deferred tax**Company and Group**

Deferred taxation provided is as follows:

	Group		Company	
	30/6/06 £000	30/6/05 £000	30/6/06 £000	30/6/05 £000
Accelerated capital allowances	152	107	110	78
Other timing differences	(40)	(27)	(7)	(4)
Deferred tax liability	112	80	103	74

£000

Group

At 1 July 2005

Charge in year

80

32

At 30 June 2006

112

Company

At 1 July 2005

Charge in year

74

29

At 30 June 2006

103

There are no unprovided deferred tax amounts.

Notes to the Accounts continued

Year ended 30 June 2006

19 Called up share capital

	30/6/06 £000	30/6/05 £000
Authorised		
100,000,000 (2005: 4,000,000) ordinary shares of 1p each (2005: 4p)	1,000	160
Called up, allotted and fully paid		
34,464,584 (2005: 695,118) ordinary shares of 1p each (2005: 4p)	345	28

Under the Company's Enterprise Management Incentive Scheme employees of Abcam plc held options at 30 June 2006 for 728,480 unissued 1p ordinary shares (2005: 23,788 4p ordinary shares). During the year options for 6,789 4p ordinary shares and 229,760 1p ordinary shares were exercised. Options for 7,308 4p ordinary shares were granted and options for 178 4p ordinary shares and 6,920 1p ordinary shares lapsed. The options outstanding at the end of the year were as follows:

Date of grant	Number of 1p shares	Option price per share	Date of vesting
April 2003	8,280	12.5p	April 2005
June 2003	100,000	25.0p to 50.0p	June 2005 to June 2006
July 2004	121,920	25.0p	July 2006
December 2004	220,000	25.0p	2 years after a listing
July 2005	218,280	62.5p	July 2007
September 2005	60,000	62.5p	September 2007

Employees of Abcam plc also held options under an unapproved scheme at 30 June 2006 for 261,360 unissued ordinary shares (2005: 4,263 4p ordinary shares) at exercise prices of 62.5p to 150p per share. 170,520 options for 1p ordinary shares were exercised during the year, and 6,534 options for 4p ordinary shares were granted. The options vest over the period January 2006 to July 2007. Employees of Abcam Inc. also held options under an unapproved scheme at 30 June 2006 for 55,320 unissued ordinary shares (2005: nil) at an exercise price of \$1.125. An option for 40,000 (2005: 1,000 4p ordinary shares) 1p ordinary shares has been granted to a scientific advisor at an exercise price of 25p per share. The option vested in May 2005.

Reconciliation of 1p ordinary shares to 4p ordinary shares

On 20 October 2005 a bonus issue of one 4p ordinary share for each 4p ordinary share took place. On 3 November 2005 each 4p ordinary share was split into four 1p ordinary shares. This was then immediately followed by a bonus issue of four 1p ordinary shares for each 1p ordinary share. The cumulative effect of these steps was that one 4p ordinary share before 20 October 2005 became 40 1p ordinary shares on or shortly before 3 November 2005.

During the period from 1 July 2005 to 2 November 2005 the Company issued ordinary 4p shares as follows:

Date issued	Number of shares	Exercise price £	Total paid £
4 July 2005	3,913	5.00	19,565
6 September 2005	100	5.00	500
22 September 2005	270	5.00	1,350
23 September 2005	70	10.00	700
28 September 2005	255	5.00	1,275
29 September 2005	975	5.00	4,875
29 September 2005	935	10.00	9,350
3 October 2005	68	5.00	340
7 October 2005	203	5.00	1,015
	6,789		38,970

19 Called up share capital continued

During the period from 3 November 2005 to 30 June 2006 the company issued ordinary 1p shares as follows:

Date issued	Number of shares	Exercise price £	Total paid £
3 November 2005	5,988,024	1.67	10,000,000
3 November 2005	146,120	0.125	18,265
3 November 2005	217,280	0.25	54,320
26 April 2006	1,400	0.25	350
31 May 2006	7,680	0.25	1,920
12 June 2006	20,000	0.125	2,500
27 June 2006	7,800	0.25	1,950
	6,388,304		10,079,305

20 Statement of movements on reserves

	Share premium account £000	Other reserves £000	Foreign exchange reserve £000	Profit and loss account £000
Group				
As at 1 July 2005	1,568	335	15	1,269
Retained profit for the year	–	–	–	3,679
Dividends paid	–	–	–	(1,153)
Bonus issues	(253)	–	–	–
Premium on shares issued	10,056	–	–	–
Expenses of share issues	(798)	–	–	–
Currency translation difference on foreign currency net investments	–	–	(23)	–
At 30 June 2006	10,573	335	(8)	3,795

	Share premium account £000	Other reserves £000	Profit and loss account £000
Company			
As at 1 July 2005	1,568	335	1,138
Retained profit for the year	–	–	3,284
Dividends paid	–	–	(1,153)
Bonus issues	(253)	–	–
Premium on shares issued	10,056	–	–
Expenses of share issues	(798)	–	–
At 30 June 2006	10,573	335	3,269

Notes to the Accounts continued

Year ended 30 June 2006

21 Reconciliation of movements in Group shareholders' funds

	2006 £000	2005 £000
Profit for the year	3,679	2,281
Other recognised gains and losses relating to the year (net)	(23)	11
Add back: charge in respect of share options	–	17
	3,656	2,309
Dividends paid	(1,153)	(1,317)
Issue of shares net of issuing costs	9,322	570
Net addition to shareholders' funds	11,825	1,562
Opening shareholders' funds	3,215	1,653
Closing shareholders' funds	15,040	3,215

22 Post balance sheet events

On 11 August 2006 the Company entered an agreement with Triple Point Biologics Inc. Under the terms of the deal, Abcam will acquire the worldwide distribution rights for a period of 10 years for an initial payment of \$2 million plus an earn-out payment based on a percentage of sales achieved during the first four years, subject to a cap of \$8 million. Based on current estimates of future sales the Directors expect the provision for the earn-out payment will amount to approximately \$1.4 million. In addition Abcam will pay a royalty based on a percentage of sales for the entire 10 year term.

23 Ultimate controlling party

There was no ultimate controlling party in either year.

24 Related party transactions

Until September 2005 Dr E W Powell was a director of Cambridge Theranostics Ltd. which, during the year, purchased products from Abcam to a value of £4,274 (2005: £52,031).



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