



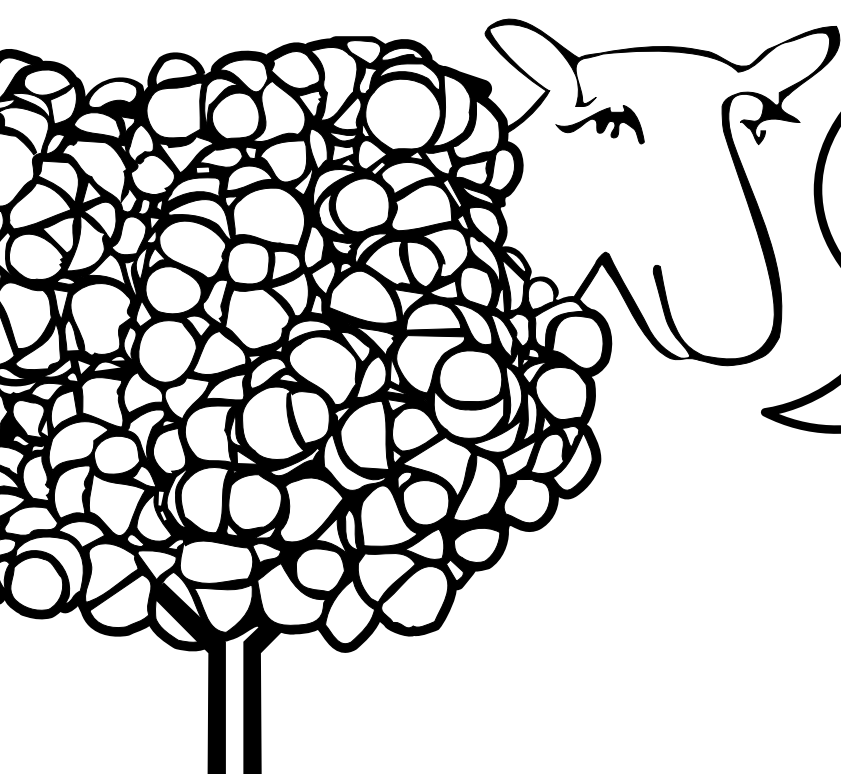
# **Annual report and accounts 2008**

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Our vision is to build the largest online antibody resource in the world while also ensuring that the antibodies are of excellent quality and commercial viability.



### Welcome!

*My name is Molly, I'm the resident Abcam mascot and appear on all our packaging and branded materials.*

A lot of researchers ask where we got the idea for Molly the sheep. It was simply because Dolly the sheep was making headline news at the time, so we created the body out of a molecular space fill model and gave her antibody legs, and thus the molecular Dolly became Abcam's Molly.

## 44,000

Number of products  
up 29.8%

## £36.7m

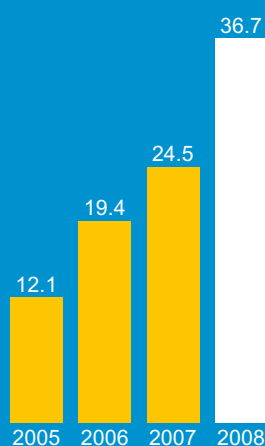
Sales increased 49.7%

## £8.2m\*

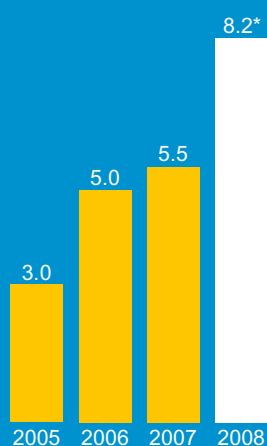
Profit before tax  
increased 48.2%

- Sales increased 49.7% to £36.7m (2007: £24.5m).
- Pre-tax profits increased 48.2% to £8.2m\*.
- Product range grew 29.8% to 44,000 antibodies and related products (2007: 33,900).
- Transfer of all polyclonal production to high-throughput production (HTP) facility successfully completed, further development of monoclonal production programme and significant increase in levels of product characterisation undertaken in-house.
- US subsidiary continued to trade well, and our Japanese subsidiary grew sales by 67.4% in the second half of the year.
- Net cash and short term investments at 30 June 2008 of £14.5m (2007: £10.7m).
- EPS increased by 43.8% to 16.88p per share (2007: 11.74p).
- Final dividend increased by 42.9% to 4.56p per share (2007: 3.19p) making a total dividend for the year of 5.60p (2007: 3.99p).

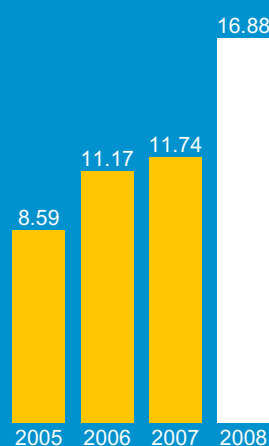
David Cleevely, Chairman of Abcam said "The year to June 2008 was another year of impressive growth at Abcam, reflected in our strong sales, profits and cash generation, and in the 40.4% increase in our total dividend. The growing international demand for research antibodies, combined with the strength of our brand, product range and strategy, means that the Board looks forward to the future with confidence."



Turnover (£m)



Profit (£m) before tax



Earnings Per Share (p)

\* Pre potential offer related costs of £250k.

Abcam plc is a producer and distributor of research-grade antibodies and associated products.

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.

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.

## How we work

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

Abcam now has an online catalogue of more than 44,000 antibodies and related products (such as proteins, peptides and kits). An increasing number of products are produced in-house at our new high throughput production facility in Cambridge, UK and the percentage of total sales represented by such products is expected to grow as the facility comes fully on stream. Other products are supplied by more than 250 leading OEM partners and sold under the Abcam Brand.

## 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.

The unique relationship Abcam has with the scientists who use our products means that we can obtain a wide range of testing data from their feedback and enquiries. We publish this information in the form of Abreviews<sup>SM</sup>, which report the purchasing decisions of researchers looking for reagents. Taken across the catalogue average sales per product continue to increase the longer they have been on our catalogue, a trend we attribute in part to the sheer quantity of information that we are able to gather and publish over time.

Following an in-depth study of the market, Abcam has chosen 8 Core Focus Areas (CFAs), each of which represents a research area with high market demand. We have vertically integrated our business development, manufacturing, marketing sales and technical support teams around these areas and expect to add a further two CFAs by June 2009.

## 3 We deliver

Our systems enable us to process orders quickly and accurately and we ship across the globe using our fully automated web-enabled stock-management system. Our size means that we can invest in state-of-the-art storage and handling facilities, which have enabled us to speed up shipping times and increase our output. We are able to operate at high-levels of efficiency and with low handling costs.

## Where we operate

Abcam is headquartered in Cambridge, UK and continues to benefit from close links to the University of Cambridge, from which a large number of our PhD recruits are drawn.

Our US office has made a substantial, increasing contribution to sales since it was opened four years ago, serving our largest single market.

We opened an office in Tokyo, Japan in December 2006 and this has enabled us to radically improve the quality of the service we provide to customers in the form of technical support and speed of delivery.

We are also continuing to build our distributor network in order to improve our geographic reach in parts of the world where an e-commerce model has yet to be fully embraced.



Customers can directly access the website to find the status of their orders so they can plan their experiments more effectively.

#### 4 We support

Our products come with an **Abpromise<sup>SM</sup>**, giving customers the reassurance of knowing that:

- Our antibodies are of the highest quality and are backed up by an expert technical team, who are able to assist in initial product selection;
- Customers can, at any time, contact other customers using the same antibody via our unique **Abreviews<sup>SM</sup>** system;
- If, after optimisation, any product does not perform as described on the datasheet, customers can contact our expert team to ask for advice assistance; and
- In the unlikely event that a product is faulty, we will replace or provide a full refund if reported within 120 days of purchase.

## Our products

Abcam has over 44,000 products in its catalogue and the number is still growing.

Our team not only adds new products to our catalogue every day but also regularly modifies the datasheets for our existing products. These modifications are based on our own testing and research in addition to the feedback of our suppliers and customers.

For our customers, this means:

- more antibody targets
- more product types
- more choice

Products sold by Abcam but not manufactured on our premises are supplied by more than 250 leading OEM partners around the world.

As it comes fully on stream, our new production facility will enable us to devote substantially more resources to in-house product development. In particular, this year has seen an increase in the levels of quality of characterisation which we can now provide with all our products. This is a key driver of growth.

## Our people

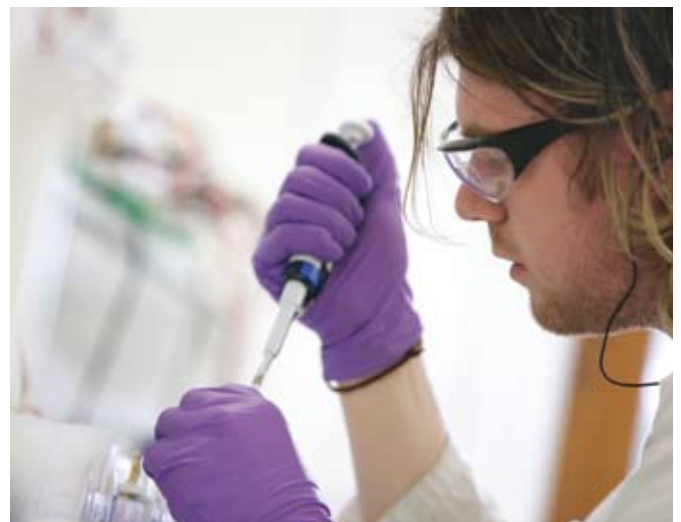
### Strength through brilliant people

We take enormous pride in the calibre of our employees. Since its launch in 1998, Abcam has had tremendous success in attracting highly skilled people to its business and now boasts an impressive intellectual capital base.

Abcam now employs 184 full-time staff, a large proportion of who have PhDs. In the UK we are able to draw on our close links with the University of Cambridge from where many of our PhD recruits come.

Abcam remains fully committed to enhancing the abilities of its team members through its programme of staff training and development.

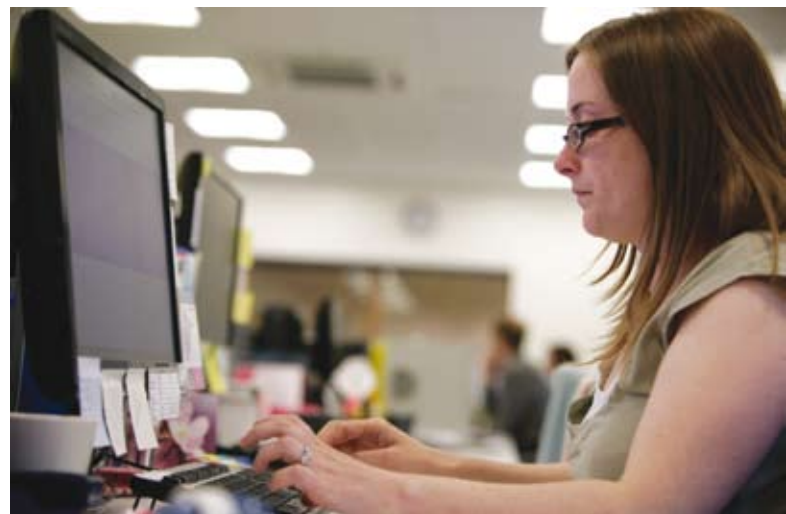
The strength our staff bring is demonstrable in the enthusiasm and creativity which drives the Group.



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# Our Internet Platform

IT systems and the Internet underpin our business at Abcam. Our culture is based on strong technical foundations and the data-rich characteristics of our products mean that they are ideally suited to selling in the online marketplace.



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For many customers, the Internet is the most convenient and comprehensive method of finding the product they need. As such, search engine optimisation is important to ensure that Abcam products feature prominently in the organic (non-sponsored) results. Regular monitoring and expert design lead to progressively better search engine rankings; currently 97% of our catalogue is represented in Google. The goal for Abcam is for every one of its products to be represented in the top ranking positions on the major search engines.

The user experience, starting from the moment the customer clicks on a link to the Abcam website, is very important to us. A page request rapidly crosses the Internet to our data centre and is inspected by our security perimeter before being passed to our specialised website load balancer. In just a few milliseconds the load balancer has selected one of our many web servers, which dynamically creates the page and sends the response back to the customer via an optimised path through the Internet as determined by our content delivery network (CDN). Abcam is proud to say that the technical strength

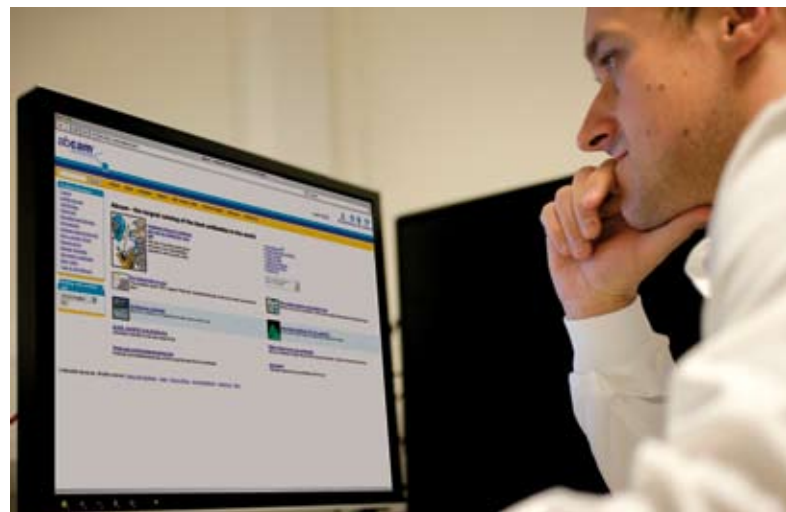
required to deliver the Abcam website has been built from the ground up by the expert IT team employed at Abcam. This in-house expertise gives us the ability to constantly fine-tune our infrastructure and leverage specific technologies to our benefit.

The time it takes for a webpage to appear in the browser is constantly monitored by software that records the response time for every single page request by customers anywhere in the world. We record everything from the customer's location to their browser type, how long the page took to appear on their

screen and what speed broadband they are using. Through a combination of using clustered, high-powered web servers and the world's leading CDN we deliver our website to customers in the USA in 1.3 seconds, in Japan in 1.4 seconds and in Europe in 1.5 seconds. A sub-2-second response time worldwide is our benchmark.

As well as the speed of delivery, our IT systems also help to ensure that the content received by the user is fresh and constantly updated with images, reviews and customer feedback as well as pricing and





stock availability. In order to show the most relevant and useful data, we test our website usability both in face-to-face sessions with scientists and using automated testing techniques. This enables us to achieve the optimal structure and content for the pages.

In addition to providing an optimal web experience to our users, we have invested heavily in our internal systems. Being a web-based company, geographical barriers are technically easy to deal with. A single database serves the company intranet across our three offices where staff can

access all the same internal applications and the database links directly to our customer relationship management (CRM), order fulfilment and stock inventory systems. As with our web infrastructure, the software for these systems is developed in-house, meaning that we can react quickly to new requirements and tailor systems specifically to the job at hand. Our software development team work around the clock to increase the effectiveness of our IT systems and for each improvement the benefits are immediately realised across all offices.

Finding ways of improving efficiency is a passion at Abcam; continually refining operational processes with tightly integrated in-house IT systems is one of the ways Abcam has scaled so effectively. In the USA, for instance, we have been able to scale to fulfilling an increase in orders of 38% (year on year) but at the same time shorten customer shipping times from several days to next-day and in many cases same-day delivery.

While our website is regularly serving millions of pageviews per month and operational systems are taking care of

customer orders, product specialists add valuable data to our online datasheets. These feed automated systems that tailor personalised marketing emails to our extensive customer base – reminding them that Abcam has the largest online catalogue of the best antibodies in the world.

Abcam has recently celebrated its tenth anniversary and I am delighted to report on another outstanding year as the Group continues to go from strength to strength.

Demand for research antibodies has never been higher, nor has our reputation. Our highly developed e-commerce platform, offering targeted information and easy access to products, has become the destination of choice for increasing numbers of researchers across the world.

Our intention is to consistently deliver robust growth whilst at the same time investing in the future of the business, thus ensuring that we have a solid and sustainable foundation for long-term development. This has been achieved this year and the business is well set for continued success.

We have achieved strong growth in all the regions in which we operate: sales in the year increased by 49.7% to £36.7m (49.1% on a constant currency basis), whilst gross margins increased from 59.1% to 60.8%. This outstanding performance is a testimony to the quality of the products and support we offer, the scalability of our operation and Abcam's growing reputation as a quality supplier to the world scientific community.

A key driver of our success is our wealth of product data. This set of data is a tremendous asset and includes technical information, application specific

information, user-generated reviews and how our products have been used in published experiments. Using this relevant, easily accessible information, research scientists can identify and purchase the products best suited for their requirements. During the year, our catalogue increased by more than 10,000 products, from 33,900 at the end of the last financial year to over 44,000 at the end of June 2008. Sales of individual products tend to increase the longer they are listed and as more data is gathered. New products contributed £3.2m to sales in the year and we expect sales from these new launches to increase in future years.

Our investments in the year included the continued development of the high-throughput production (HTP) facility. The HTP facility has taken on the production of new and existing polyclonal antibodies and been very successful in adding characterisation data, which is an important driver of growth, to our existing catalogue. A priority for this year has been increasing production efficiencies and managing costs. We have also continued development work on our automated monoclonal development programme. The initial level of sales of the monoclonal antibodies added to the catalogue during the year has been well ahead of



David Cleevely  
Chairman





expectations and we will continue to prudently manage monoclonal production levels in line with the development of our production process.

Our offices in the USA and Japan have both grown significantly in the year and our commitment to optimising the user experience has driven further investment in our website infrastructure, and the establishment of a dedicated e-commerce team. We are also continuing to build our distributor network in order to improve our geographic reach in parts of the world where an e-commerce model has yet to be fully embraced.

We have continued to attract staff of the highest calibre to ensure that our growth is targeted and well managed. A high proportion of our staff have PhDs and we aim to blend a depth of technical knowledge with strong commercial acumen. In November 2007 we appointed Jeff Iliffe as Chief Financial Officer and, with the extremely valuable contributions from the non-executive directors, we have a strong and effective Board.

Our aim is to continue delivering value to both our customers and our shareholders and I would like to thank them for their continued support. I would also like to

extend thanks to our growing number of suppliers and finally to our dedicated and talented staff, who make these achievements possible.

#### **Dividends**

The Board's policy is to distribute 33% of profit after tax as dividends. This was increased from 25% last year, in line with the strong cashflow and growing success of the Group. An interim dividend of 1.04p per share was paid in April 2008 and the Directors are therefore recommending a final dividend of 4.56p per share, making a total for the year of 5.60p. Subject to shareholder approval at the Annual General Meeting in

November, this dividend will be paid on 28 November 2008 to shareholders on the register on 7 November 2008.

#### **Outlook**

Our track record demonstrates the strength of the combination of our highly developed e-commerce platform, wealth of product data, extensive range of antibodies and high-calibre staff. We have built an attractive position in an exciting market and the Board looks to the future with confidence.

**David Cleevely, FEng**  
Chairman  
8 September 2008



# Chief Executive Officer's Review

Abcam plc  
Annual report and accounts  
30 June 2008

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We have built a truly international reputation in the research community for the reliability of our products and the support we offer.

The development of our systems and the power of the internet enable us to focus our marketing effectively and to provide a targeted, high-value service at the individual researcher level. At the same time, our product range has expanded to more than 44,000 products and sales have increased by 49.7% to £36.7m.

We continue to strike a balance between current year growth and investment for the future. Even so, profit before taxation increased by 48.2% from £5.5m to £8.2m before charging £250k in costs associated with the potential offer process last summer.

What is also very exciting is the 29.8% growth achieved in the number of products in the

catalogue and the breadth covered by the new products. One of the strengths of the team that sources externally manufactured antibodies from original equipment manufacturers (OEMs) is the diversity of deals that they can cover in building the catalogue. This year, deals range from one adding almost 3,000 antibodies immediately to those on individual products from niche researchers. It is encouraging also that we have built a sufficient market share such that the desirability of pursuing exclusive product line acquisition (PLA) deals has reduced. We do not rule out doing more PLA deals in the future, if the deals are lucrative; however as a source of growth and capturing market share their role and importance has

diminished. Overall, we are now managing relationships with more than 250 suppliers and see growth both from new products that our established suppliers bring to us and from the continued addition of new suppliers. We are also expanding the breadth of antibody-related reagents that we can cover, giving us access to new markets; for example, this year we have almost doubled our proteins range.

Our HTP facility is now well established in its new building. The production levels of polyclonal antibodies now exceed the levels achieved in our old facility, with the capacity to increase this in line with market demand. We are also seeing the monoclonal antibodies coming out of the

developmental stages of the facility, and showing good initial sales.

A further, particularly satisfying achievement is the introduction of high-throughput screening assays into the HTP facility, leading to increased levels and quality of characterisation which we can now provide with all our products. This is a key driver of our growth and we are delighted with the amount of characterisation data that is being generated.

Both our OEM product sourcing strategies and HTP product development are driven by our approach to the segmentation of the research market into Core Focus Areas (CFAs). This year we have continued to build our CFA strategy through the



Jonathan Milner  
CEO



development and integration of product, marketing, events and support teams within each CFA. We have found that the CFA approach is very effective in capturing market share and continue to add further CFAs in order to maintain this momentum. We started the year with six CFAs and we added two further to take our total number to eight fully established CFAs.

A key area of development based around the CFAs is in the activities of the scientific events team, which organises and runs conferences and seminars. To help across all our CFAs we have also been developing an expert system – the Target Selection Database (TSDB) – to help in the quality of candidate targets that we can select. The

TSDB is a powerful data-mining tool that integrates both internal and external scientific data sources to provide a comprehensive profile of the commercial potential of a target in half the time taken previously.

We have a highly efficient business, with end-to-end systems linking the public website directly through to product ordering, inventory management, logistics and accounting. The resulting real-time data gives us strong operational and financial control and enables us to adopt an agile and responsive approach to the management of the business.

Since the creation of the company ten years ago our

strong focus has been on serving the researcher and our business philosophy and processes are all based around their needs and the achievement of their objectives. During that time our products have been used in ground-breaking research and referenced in thousands of publications, thus enhancing our international reputation. This commitment is also core to our future as through the development of our systems we build on our relationships, offering an ever more relevant service to each individual as our product range and geographic reach expand.

[Jonathan Milner](#)  
CEO  
8 September 2008



Our strong performance this year is again a tribute to the enthusiasm and commitment of our staff.

Our new HTP manufacturing facility in Cambridge UK has been open for just over a year and the move from our existing facility has gone well. The production processes for polyclonal antibodies are now established and the development programme for our own monoclonal manufacturing is well underway. During the year we have been commissioning the major pieces of automation equipment from Beckman Coulter needed for scaled-up production of monoclonals. The last of these – the freeze-down workstation for long-term storage of the clones – is scheduled to be commissioned before the end of this calendar year.

This year has marked an important transition for our Tokyo office, which since 1 January 2008 has moved from transacting the majority of our business through our original distributor, to dealing directly with our major sub-dealers in the Japanese market. This enables us both to provide better support to our customers by shortening the communication chain to them and to improve the margin we can realise from selling our products. This transition was always part of the strategy for developing the Tokyo office but I am delighted to report that we have achieved this whilst still delivering 67.4% growth in sales from ¥159.8m (£0.7m) to ¥267.5m (£1.3m),

comparing the second half of this financial year with the same period last year.

This year has also seen us continuing our strategy of developing our European sales through our 'virtual offices' based out of our Cambridge UK office, enabling European customers to contact us directly in their own language. The results have been very pleasing, particularly in Germany and France. A combination of targeted marketing campaigns and amendments to our discount structure in Europe has meant we have increased sales by 65.5% from €8.9m to €14.7m.

As well as contributing to our overall sales, the strength in growth of our European sales has contributed to the margin improvements we have seen this year.

Our North American sales based out of our office in Cambridge MA have also continued to grow from \$24.7m to \$33.8m, an increase of 36.9%. We have been fortunate to be able to take on an additional 4,500 square feet of adjoining space that has become vacant at our One Kendall Square address. This will enable us to implement smoothly the planned expansion of our operations in North America without the inconvenience of relocating and



Jim Warwick  
Managing Director



should provide sufficient space to accommodate up to three years of projected growth.

An area which is fast maturing into an important cornerstone of our business is our scientific events team. We organise and run conferences and seminars in our CFAs, both as part of our core marketing strategy and to build brand awareness and keep us in touch with our customers and the scientific community. We have gradually built up our capability and reputation in the biological events arena, from running two major events in 2006–07 (around Chromatin and Stem Cells) to four in 2007–08. In addition, we have run twenty smaller, one-day events and

seminars this year and will expand these further in 2008–09.

Our strong performance this year is again a tribute to the enthusiasm and commitment of our staff. We aim to provide a rewarding and progressive environment for our employees and we are always seeking ways to improve our overall benefits package for all our staff. For example, this year in the UK, despite still being a relatively small company, we are offering a class-leading self-service flexible benefits system where staff can choose from a variety of benefits, ranging from health care and pensions to cycle-to-work schemes, and take best

advantage of the tax concessions available via salary sacrifice. We believe that continuing to develop the creative and innovative individuals who have grown up through a young entrepreneurial culture will enable us to grow successfully over the coming years. This is achieved by being open to both interdepartmental transfers and the career aspirations of staff, together with active training and development programmes utilising local initiatives and other opportunities open to staff.

**Jim Warwick**  
Managing Director  
8 September 2008





During the year our Business Development and Marketing teams introduced a number of strategies to improve sales and manage cost increases.

## Sales

Sales increased in the year by 49.7% to £36.7m or 49.1% on a constant currency basis i.e. if foreign currency exchange rates had remained unchanged from 2007. (Average exchange rate applied to sales: 2008 £1: \$1.997: €1.374: ¥220.051; 2007 £1: \$1.925: €1.481: ¥229.699.)

## Gross margin

Gross margins reported for the period under review are 60.8% compared with 59.1% for the previous year. The increase of 1.7% is attributable to improved pricing which more than compensated for price increases from suppliers (0.7%); higher sales of products acquired under the exclusive product line acquisitions (0.4%); and from the benefit of the stronger Euro during the period, since a relatively small proportion of our product costs are denominated in Euros (0.6%).

During the year our Business Development and Marketing teams combined to actively manage the margin achieved on sales and introduced a number of strategies aimed at working with suppliers to improve sales and manage cost increases.

## Administrative expenses

Administrative expenses rose from £7.7m to £12.5m. This increase reflects the 37.2% growth in the average headcount to 166; the first full year of operation of the HTP facility; and the Japanese office. During the year a net impairment charge of £442k was taken to the income statement relating to the reduction in the carrying value of one of the exclusive product line acquisition deals, following an assessment of future prospects under the deal.

The bad debt provision increased from £224k to £591k during the year, largely as a result of an overseas distributor having financial difficulties after becoming involved in a local court action, meaning that recovery of the balance due is now considered doubtful.

## Research and development expenditure

Research and Development expenditure increased by 39.8%, reflecting an increase in investment in the development of the monoclonal production process and new polyclonal production development. The level of expenditure is expected to continue to increase in future as the level of new product polyclonal production grows and the monoclonal development programme scales-up.

## Profit

Operating profits increased by 51.3% from £5.0m in the year ended June 2007 to £7.6m after adding back costs of £250k relating to a potential offer for the Group as announced to the market in July 2007. This represents an increase in operating profit as a percentage of sales from 20.5% to 20.8% despite the impact of the additional costs outlined above.

Interest income rose as the Company benefited from strong cash generation during the year.

## Tax

The consolidated tax charge for the year was £2.1m or 25.9% of profit before tax reflecting the tax credits arising from the increased amount of research and development undertaken. A credit of £114k was also received for research and development activities



Jeff Iliffe  
Chief Financial  
Officer



undertaken in prior years. The effective tax charge for the year was 25.9%, 2007: 26.6%.

The tax charge for 2007 was £1.5m having been restated from £1.6m following the adoption of International Financial Reporting Standards (IFRS). The consolidated tax charge will benefit in future from a full year's impact of the reduction in corporation tax in the UK from 30% to 28% and an increased level of research and development.

### **Inventories**

The Group manages stock levels closely by monitoring the expectations of future sales for every product in the catalogue, and the time taken to restock either from our own production or from OEM suppliers. As a result, stock levels have increased less than the growth in sales during the course of the year. Over time the Group expects the levels of stock to increase relative to sales since Abcam products developed in-house, involve batch sizes larger than required for immediate sale.

### **Debtors**

A main focus for the year has been on debtor control and

debtor days at the year end were 34.4 (2007 44.3). The majority of sales continue to be on credit and we would expect some increase in debtor days over time in line with practice in local markets as the geographic spread of sales widens.

### **Creditors**

Current liabilities rose from £3.4m to £4.8m primarily resulting from a 33.8% increase in trade and other payables, which is slightly less than the increase in sales. Non-current liabilities fell from £0.6m to £0.2m, being the net effect of a decrease in deferred tax balances due to the level of expenditure during the year on capital equipment relating to the HTP facility and a reduction in the estimated amount due as deferred settlement on a product line acquisition concluded in 2006.

### **Cashflow**

The Group's cashflow continues to be strong, with £7.1m (2007: £3.4m) generated from trading in the year. Consequently, despite spending £2.5m on facilities and equipment and £0.3m on acquiring distribution rights, the Group's cash and short term investment balances increased by £3.8m.

### **Accounting standards**

These are the first full year's results of the Group to be stated under IFRS and consequently there are a number of changes to both presentation and content of these financial statements. The effects of the adjustments are explained in note 30, the material changes being the inclusion of derivative instruments at fair value, giving rise to a charge to profit and loss of £197k (2007: charge of £168k) and the recognition of a deferred tax asset relating to unexercised share options, of £224k (2007: liability of £46k).

### **EPS**

The number of shares issued during the year for the exercise of share options was relatively small at 443,397 (2007: 158,800), meaning that as post tax profit grew by 43.7% (2007: 15.5%) the growth in basic EPS was 43.8% (2007: 5.7%) and diluted EPS was 44.9% (2007: 6.5%).

### **Currency exposure**

The Group continues to generate significant amounts of dollars and euros in excess of payments in these currencies, and has hedging arrangements in place to reduce the exposure.

During the year to 30 June 2008 the Group had forward exchange contracts in place to sell \$12.4m and €11.9m at average rates of £1 to \$1.9356 and £1 to €1.4054 respectively. Of these, contracts for \$4.2m and €4.5m were still outstanding at the year end.

For the year ending 30 June 2009 the Group has forward exchange contracts in place to sell \$9.0m and €8.1m at average rates of £1 to \$1.924 and €1.294.

Jeff Iliffe  
Chief Financial Officer  
8 September 2008

# Board of Directors

## **David Cleevely, FEng Chairman**

David Cleevely FEng is the Chairman of CRFS, the spectrum monitoring company, which he co-founded in July 2007, and the founder and former Chairman of telecoms consultancy Analysys (acquired by Datatec International in 2004). In late 2004 he co-founded the 3G pico base station company, 3WayNetworks, which was sold to Airvana in April 2007. After being sponsored to study Cybernetics at Reading by Post Office Telecommunications, he joined their Long Range Studies Division. A PhD at Cambridge was then followed by the Economist Intelligence Unit in London. He is a Fellow of the Royal Academy of Engineering and a Fellow of the IET, and he has recently held an Industrial Fellowship at the University of Cambridge Computer Laboratory. He founded Abcam with Jonathan Milner and Tony Kouzarides in February 1998.

## **Jonathan Milner, PhD Group Chief Executive**

Jonathan Milner has a BSc 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. He founded Abcam with David Cleevely and Tony Kouzarides in February 1998.

## **Jim Warwick, BSc Managing Director**

Jim Warwick has a BSc in Computer Science from Cambridge University. From 1986 to 2003 he worked for Analysys Ltd, a Cambridge-based telecommunications consultancy, heading up the IT, software and web development initiatives. During this period he also held a number of non-executive directorships with external organisations, 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 working part-time but as a permanent 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.

## **Jeff Iliffe, Bsc, ACA Chief Financial Officer**

Jeff Iliffe is a qualified accountant who worked as a corporate financier in life sciences at Panmure Gordon & Co between 1989 and 1996. He then moved into industry, holding a number of financial positions at companies including the environmental consultancy Enviro Group Limited and the biotechnology company Plethora Solutions plc. Prior to joining Abcam as a financial consultant, he was chief financial officer at St Minver Limited, an e-commerce company that operates online gaming networks.



**Mark Webster, BSc  
Non-Executive Director**

Mark Webster has a BSc in Chemistry from Durham University. He joined Abbott Laboratories in 1988 and ran the UK Pharmaceutical and Hospital Divisions before moving to Montreal, Canada in 1997 and then Chicago, USA in 1999, as Vice President of Anti-Virals, US Pharmaceuticals. Here he launched Kaletra for HIV infection, which generated \$1bn in revenue. In 2001 he joined Shire Pharmaceuticals as Head of Global Strategic Marketing and Licensing/Acquisitions and a member of the Executive Committee. He then joined Bayer Healthcare 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. After joining the Board as a Non-Executive Director in July 2006 he became a full-time Director of Abcam in March 2007 and reverted back to a Non-Executive role in November 2007. Mark is currently Head of North America and Global Marketing for ProStrakan.

**Tony Kouzarides, PhD  
Non-Executive Director**

Tony Kouzarides has a BSc 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 Centre, where he discovered a fundamental principle underlying the association of proteins involved in human cancer. He was awarded a professorship at Cambridge University in 1999 and now oversees a group of scientists studying genes and proteins associated with human cancers. He has played a central role in expanding Abcam's own antibody product range into the Chromatin research area.

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

Peter Keen is a Chartered Accountant with more than 24 years' experience in the financing and management of biotechnology companies. After gaining experience in the agricultural biotechnology and medical diagnostics sectors, he was a co-founder and Finance Director of Chiroscience Group plc. He then helped establish Merlin Biosciences, being responsible for a number of investments including Ark Therapeutics, Cyclacel, ReNeuron and Vectura. More recently, he was Chief Financial Officer of Arakis Ltd until its successful trade sale in 2005 and a Partner with the technology venture firm DFJ Esprit. He is currently Corporate Development and Finance Director of the private biotechnology company Serentis Ltd and a Non-Executive Director of Ark Therapeutics plc and The Biotech Growth Trust plc.

**Tim Dye, MA  
Non-Executive Director**

Tim Dye is a former Chief Executive of William Ransom & Son plc, a position he held until January 2008. Through a series of acquisitions, he 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 an MA in Economics from Cambridge University.



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## Directors

### Chairman

Dr David Cleevely, FREng

### Chief Executive Officer

Dr Jonathan Milner

### Chief Financial Officer

Mr Jeff Iliffe

### 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 McGuire

332 Cambridge Science Park

Cambridge

CB4 0FW

### Nominated Advisor and Broker

[Numis Securities Limited](#)

The London Stock Exchange Building

10 Paternoster Square

London

EC4M 7LT

## Solicitors to the Company

Eversheds LLP

Senator House

85 Queen Victoria Street

London

EC4V 4JL

## Auditors

Deloitte & Touche LLP

Chartered Accountants

Cambridge

## Public Relations Advisors

Buchanan Communications Limited

45 Moorfields

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



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 2008.

## Principal activities and future developments

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 subsidiaries Abcam Inc. and Abcam KK.

The Company is also increasing its own manufacturing capability through continued investment in a high-throughput production ("HTP") laboratory.

Future developments are addressed in the individual director's reviews at the front of this annual report.

## Business review

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

	30 June 2008	30 June 2007	30 June 2006
Number of products published	<b>44,000</b>	33,900	23,200
Sales per employee £000	<b>221</b>	203	223
Profit before tax to sales	<b>22.3%<sup>1</sup></b>	22.6%	24.9%
Number of debtor days at year end	<b>34</b>	44	45

Sales increased by 49.7% in the year (49.1% on a constant exchange rate basis) as a result of the launch of new products and continued increases in sales from the existing catalogue. The Group continued to generate strong margins, and pre-tax profits increased by 48.2%<sup>1</sup>, reflecting the cost of investments made in the year and higher levels of research and development expenditure.

<sup>1</sup> after adding back £0.25m costs relating to the potential offer process undertaken in the summer of 2007

The Group's cash and short term deposits remained at a strong level at £14.5m (2007: £10.7m).

The Directors are confident that the Group has a solid basis for growth. An overview of the business is set out in the chief executive officer's and managing director's reviews together with the financial review.

## Principal risks and uncertainties

The Group faces the competitive and strategic risks that are inherent in a rapidly growing market, and the 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 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 generates surpluses of both currencies. The Board's policy for dealing with these is to sell forward some of the expected surplus currencies in order to reduce 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 of the Group's risk management strategy see note 26.

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

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the reporting period and remain in force at the date of this report.

## Research and development

The Group undertakes research and development in areas related to its principal activities and this is discussed in the individual Director's reviews at the front of this annual report. During the year the Group spent £2.4m (2007: £1.7m) on research and development.

## Dividends

The Directors propose paying a final dividend of 4.56p (2007: 3.19p) per ordinary share, to be paid on 28 November 2008 to shareholders on the register on 7 November 2008. Together with the interim dividend of 1.04p paid on 18 April 2008, this makes a combined dividend for the year of 5.60p (2007: 3.99p)

## Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in notes 23 and 24. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation.

With regard to the appointment and replacement of directors, the Company is governed by the Articles of Association, the Combined Code, the Companies Act and related legislation.

## Directors

The interests of the Directors in the share capital of the Company at 30 June 2008, other than with respect to share options (which are detailed in the Directors' Remuneration Report), were as follows:

	1p ordinary shares on 30 June 2008	1p ordinary shares on 30 June 2007
David Cleevly	<b>3,569,760</b>	4,669,760
Tim Dye	<b>nil</b>	nil
Peter Keen	<b>8,982</b>	8,982
Tony Kouzarides	<b>114,244</b>	359,080
Mark Webster	<b>nil</b>	nil
Jonathan Milner	<b>8,044,960</b>	9,044,960
Jim Warwick	<b>836,200</b>	826,200
Jeff Illiffe	<b>nil</b>	nil

In line with the principles set out in the Combined Code on Corporate Governance, David Cleevly and Tony Kouzarides, who have each been Directors of the Company since April 1998, will offer themselves for re-election at the forthcoming Annual General Meeting. At the meeting Jim Warwick will also stand for re-election, as will Jeff Illiffe who was appointed as a Director during the year.

## 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 2008, the Group had an average of 30 days of purchases (2007: 55) outstanding in trade creditors.

## Charitable and political donations and community support

Abcam participates actively in the community of entrepreneurial businesses clustered around Cambridge. Abcam supports both the Cambridge Network and the University of Cambridge and the Judge Business School both by giving talks and presentations on our business as well as hosting projects for MBA students. Abcam takes students from secondary education on work-experience programmes as well as occasional international exchange students on placement.

The Company encourages employees to get involved in local charitable activities; we allocate 0.1% of pre-tax profit for charitable donations, which are split between the US, UK and Japanese offices. These are allocated by a committee of staff volunteers working within guidelines set down by the Directors.

The Group made no political donations (2007: nil) and made £4,272 charitable donations (2007: £1,907).

## Substantial shareholdings

Other than Directors' interests which are set out above, at 28 August 2008 shareholders with a greater than 3% interest in the issued share capital of the Company were:

Standard Life Investments Limited 11.87%  
Artemis Investment Management 7.67%  
BlackRock Investment Management 5.90%  
Morley Fund Management 4.17%  
UBS Zurich 3.42%  
Fidelity Investments 3.22%

## Corporate, social and ethical policies

Abcam recognises the importance of balancing the interests of all our key stakeholders – our customers, shareholders, employees, suppliers and the communities in which we operate. Management of the environmental and social issues that play a part in our business is a key factor in our strategy for success and in the practice of good corporate governance.

The Group places considerable value on the involvement of its employees and has continued to keep them informed of the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Equity based incentives are made available to all employees of the Group. In addition, there is a profit sharing scheme based on the overall profitability of the Group.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Group that the training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees. The Group

needs highly-qualified staff and does not see age, colour, disability, ethnic origin, gender, political or other opinion as a barrier to employment.

The Group aspires to carry out its business to the highest of ethical standards treating employees, suppliers and customers in a professional, courteous and honest manner. The Group has an ethical policy which is reviewed by the Board and which we apply to our products. This includes reviewing and, where appropriate, visiting our suppliers to check the standards they follow in their products and services.

## Health & Safety and environment

Abcam seeks to provide and maintain safe and healthy working conditions, equipment and systems for all our employees as far as is reasonably practicable and to provide such information, training and supervision as may be needed for this purpose.

The Group complies with legislation, however where best practice demands higher standards, it endeavours to apply these wherever reasonably practicable.

Health & Safety (H&S) in the Group is ultimately the responsibility of the CEO and is run by a Health & Safety Co-ordinator as chair of the H&S committee; this committee uses appropriate advice from external H&S specialist consultants.

Abcam seeks wherever possible to minimise its impact on the environment for the benefit of its staff and the public at large. The Group is committed to complying with environmental regulations and encourage and support staff in waste recycling within our offices.

## 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 on which this report was approved:

- As far as each of the Directors is 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.

Approved by the board and signed on their behalf by

David Cleavelly, FEng  
Chairman  
8 September 2008

Although not required to do so by the AIM listing rules, the Directors have chosen to provide selected corporate governance disclosures with this report, which they consider valuable to the readers.

The Directors believe that effective corporate governance, appropriate to the Group considering its size and stage of development, will assist in the delivery of corporate strategy, the generation of shareholder value and the safeguarding of shareholders' long-term interests. The Directors are committed therefore, wherever it is reasonably practicable, to ensure that the Group is managed in accordance with the principles set out in the revised Combined Code on Corporate Governance ("the Code").

## The role and composition of the Board

The Board comprises a Non-Executive Chairman, who is not deemed to be independent because of his shareholding, three full-time Executive Directors and four other Non-Executive Directors, two of whom are deemed not to be independent: Tony Kouzarides because of the size of his shareholding and Mark Webster because he has been employed in an executive capacity during the last five years.

The roles of Chairman and Chief Executive are vested in separate individuals, each with clear allocation of accountability and responsibility. The Chairman has prime responsibility for running the Board and the Chief Executive Officer has executive responsibilities for the Company's strategic development, operations and results.

The structure of the Board and the integrity of each Director ensures that there is no one individual or group dominating the decision making process.

The Board holds full meetings every second month. The principal matters that it considers are as follows:

- Monthly management accounts, key performance indicators and performance against budget;
- Regular reviews of R&D, operations and product line acquisitions;
- An annual review of strategic objectives and Group priorities;
- The Group 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; and
- Management of funds and major capital expenditure, including proposals for mergers or acquisitions of other companies or product lines.

In those months when the Board does not meet, members continue to be informed on a formal reporting basis of financial results and key issues. The Board is supplied with information in a timely manner, and in a form and of a quality appropriate to enable it to discharge its duties. Directors receive appropriate induction on joining the Board and regularly update their skills and knowledge.

The Board has 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. The terms and conditions for the appointment of non-executive Directors are available for inspection. 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; and
- The Remuneration Committee.

The membership and role of each committee is described in more detail below.

## The Audit Committee

The Committee is made up of three Non-Executive Directors one of whom, the Chairman, is considered to be independent. 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 auditors together with the audit fee; and
- 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. The Committee is expected to continue to meet formally twice a year.

## The Nomination Committee

During the year under review the Committee was made up of three Non-Executive Directors, one of whom was considered to be independent: David Cleevely was the Chairman, and Peter Keen and Tony Kouzarides were the other Directors on the Committee. From 1 September 2008 Tim Dye, an independent director, took over as Chairman with David Cleevely remaining as a member of the Committee.

The Committee is responsible for the following matters:

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

## The Remuneration Committee

The Committee is made up of three Non-Executive Directors, two of whom are deemed to be independent including the Chairman: Peter Keen is the Chairman, and David Cleevely and Tim Dye are members.

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;
- Agreeing the allocation and term for the granting of share based incentives to Executive Directors;
- Determining the Executive Directors' pension contributions; and
- 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 profit share and its equity based incentive schemes, 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, the Directors have reviewed the effectiveness of the internal controls, and taken steps to ensure that the Group has an appropriate control environment for its size and complexity. The management team will ensure that the internal control environment develops with the size of the Company, with respect to the identification, evaluation and monitoring of risk.

Such systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives, will provide reasonable, though not absolute, assurance against material loss or misstatement.

The Board is committed to transparency in financial reporting, internal control and external audit as demonstrated, amongst other things, by its reviewing of the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in these areas, which are formalised in a "whistleblowing" policy circulated to all employees, and through the adoption of its policies and procedures for financial reporting.

## Board performance evaluation

The Board has recently undertaken an evaluation of its own performance. The review involved detailed interviews with each Director and the Company Secretary and covered the functioning of the Board as a whole, and the operation of each of the committees. The review confirmed the high level of commitment and professionalism exercised by the Board in the strategic and commercial leadership of the Group. It also concluded that the Board and its individual members continue to perform effectively and operate within a framework of sound governance and practices, which wherever it is reasonably practicable, are consistent with the principles set out in the Code.

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election thereafter at intervals of no more than three years.

## Dialogue with shareholders

The Board believes it is important to have open communications with shareholders. To this end, the Chief Executive Officer and Chief Financial Officer, working in consultation with the Company's corporate and PR advisors, make themselves available and expect to meet with shareholders at least twice a year. The Board intends to give a presentation on the Group's progress at the forthcoming AGM in November.

## Unaudited information: Remuneration report

Although not required by the AIM listing rules, the Directors have chosen to provide directors remuneration disclosures in this report which they consider valuable to the readers.

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

During the course of the year independent consultants were retained to advise on remuneration policy and to benchmark the Executive Directors' remuneration against that of a comparator group of companies with similar characteristics to Abcam in terms of their size, nature of operations, historic growth achieved and market capitalisation.

Its recommendations on salary were implemented during the year and those on revised bonus arrangements have been implemented for the 2008/09 financial year. A long term incentive plan for senior management, including the Executive Directors, is to be put to shareholders at the forthcoming AGM.

The review also covered the all employee share schemes and a share based incentive plan for all employees based in the UK will be adopted during the course of the current financial year, details of which are set out below. Amendments are also proposed to the share option scheme for US based employees to make it more tax efficient for them, which will also be put to shareholders at the AGM.

## Remuneration policy

The four main elements of the remuneration package for the Executive Directors during the year were as follows:

- Basic annual salary;
- A performance based bonus;
- Equity based incentives; and
- Pension contributions

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

For future years the Committee will ensure that:-

- It maintains a competitive package of total compensation, commensurate with comparable packages available in similar companies; and
- The interests of the Executive Directors are closely aligned with those of the Company's shareholders through the provision of share based incentives.

## Basic salary

An Executive Director's basic salary is determined by the Committee and normally reviewed on 1 July each year. Following the independent review, adjustments were made to the then existing salary levels during the year and annual increases were made with effect from 1 July 2008, in line with the recommendations of the review. Executive Directors' service contracts, which include details of remuneration, will be available for inspection at the AGM.

## Performance-related payments

The bonus payable to Executive Directors is based on the financial performance of the Group and the achievement of individual performance targets related to the strategic objectives for each individual. In the 2007/08 financial year the financial performance based element was paid under the Abcam Profit Share Scheme (PSS). Under this scheme an amount is allocated to employees on a points based system. For the year under review the amount to be paid through PSS was dependent on the level of pre-tax profit achieved, the amount allocated varying depending on the level of profitability.

The PSS payment was not capped, and payments on account from the PSS were made each quarter, although at no stage did they exceed 85% of the amount due until the audited accounts were approved. The scheme applied to all staff, including Executive Directors, and bonuses were pensionable up to the "on target" profit level.

If financial and personal targets were met the bonus payable to Executive Directors was 50% of basic salary, paid in cash.

In the 2008/09 financial year these arrangements have been amended and the total "on target" bonus for Executive Directors will be 37.5% of basic salary, paid in cash in a single payment once the audited accounts are approved. 80% of the bonus is based on the achievement of a target profit figure and 20% on achievement of individual strategic objectives. No payment is due under the profit based bonus if performance is less than 90% of target and the maximum payment is due at 105% of target. The total bonus is capped at 75% of basic salary and none of the bonus is pensionable.

The PSS scheme will operate for the 2008/09 financial year for all other employees of the Group on the same basis as the year under review, with increased profit targets. The amount payable under PSS is no longer pensionable.

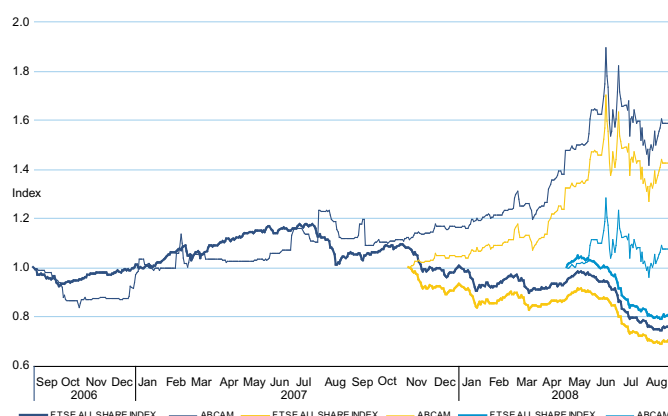
## Equity based incentives Existing arrangements

The principal form of equity based incentive used by the Group since its flotation in November 2005 has been the Abcam plc 2005 plan. All options granted under the plan since flotation have been 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 will be 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 will be 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.

In the year under review options were granted under the Abcam plc 2005 plan to the Executive Directors.



The following graph shows the performance against the AIM index for the options issued since flotation which have not been forfeited subsequently. If all the options had crystallised at 30 August 2008 then all performance conditions in relation to the options would have been met. Details of these options are set out in note 25 to the financial statements.



The Company has also established a non-discretionary Inland Revenue-approved SAYE scheme in which the Executive Directors could participate. Under this scheme, employees could 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 offered 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 could be purchased will be the market value of the shares on the date immediately preceding the offer at a discount of 20%. The recent take-up under the scheme has not been high since many employees are already at the allowable investment limits and it is not proposed to make any further offers to employees under this scheme.

There were no options granted to Executive Directors under this scheme in the year under review.

## New arrangements

It is the intention to grant additional equity based incentives on a regular basis to the Executive Directors.

For the 2008/09 financial year it is proposed that a long term incentive plan ("LTIP") be introduced for senior executives including the Executive Directors, 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.

As part of the process to define the LTIP a consultation exercise has been undertaken with major shareholders to seek their views.

Under the LTIP, awards will take the form of "nil paid" options and are subject to the achievement over three years of the following performance conditions:-

- 50% of the award will depend on the Company's total shareholder return ("TSR") as compared to a comparator group of companies. Where the Company's TSR is below the fiftieth percentile, the option or award will not vest. Where the Company's TSR is at the seventy fifth percentile or higher of the Comparator Group, the option or award will vest in its entirety. Where the Company's TSR is between the fiftieth and the seventy-fifth percentile, a proportion of the option or award will

vest, starting with 30% at the fiftieth percentile and rising proportionally to 100% at the seventy-fifth percentile.

- 50% of the award will depend on growth in earnings per share. At an average of less than 25% growth per annum, equating to 95.3% growth over the period, the amount vesting under the award will be nil. At average growth per annum of 33%, equating to total growth of 135.3%, the award will vest in full. At growth rates between these two figures, the award will vest proportionately.

More information on the LTIP can be found in the Notice convening the Annual General Meeting in November, at which shareholders will be asked to approve the adoption of the plan and award to Executive Directors.

## Share incentive plan

An HMRC approved share incentive plan ("SIP") will be introduced in October this year for all UK employees. Under the plan awards will be made as follows:-

### Share award

It is intended that annual awards will be made to UK based staff to a market value of up to £3,000 each. Awards will take the form of an option with a nil exercise price and will vest after three years employment with the Company.

### Partnership shares

All UK based employees will be given the opportunity to invest up to £1,500 per annum to acquire new shares in the Company at market value. If these shares are held for three years and the employee remains with the Company during that time then they will also receive an additional share for each share acquired. The total market value of the investment from employees will be capped at £90,000.

## The Abcam plc 2005 Plan

Options will also be granted under the existing Abcam plc 2005 Plan to certain senior employees in the UK excluding the Executive Directors where the HMRC limits on the SIP are not considered to provide appropriate levels of incentive.

It is also intended that the plan will also be amended to make it more tax efficient for US based employees. To comply with US legislation, these amendments will be put before shareholders at the Annual General Meeting in November.

In the period since listing on AIM, no equity based incentives have been granted to Non-Executive Directors and 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 in the year under review was basic salary plus on-target earnings from the PSS. During the year, the Group contributed 6% of on-target earnings, excluding the individual performance bonus, to a Group personal pension scheme in the name of each Executive Director.

From 2008/09 onwards payments due under the PSS to all employees are no longer pensionable and the contribution to be made to the Group personal pension scheme will be 12% of basic salary for each Executive Director.

A flexible benefits scheme was introduced on 1 July 2007 for all employees of the Company, including Executive Directors, under which the option to switch part of their basic pay into additional pension contributions or other benefits is available.

## Audited information: Remuneration details

	Basic salary £000	Allowances <sup>1</sup> £000	Performance payments £000	Employer's pension contributions <sup>2</sup> £000	Notional gain on options exercised <sup>3</sup> £000	2008 total £000	2007 total £000
David Cleevly	65	–	–	–	–	65	57
Peter Keen	37	–	–	–	–	37	33
Tony Kouzarides	29	–	–	–	–	29	25
Tim Dye	27	–	–	–	–	27	25
Mark Webster (as Executive Director) <sup>4</sup>	48	–	29	4	–	81	81
Mark Webster (as Non-Executive Director) <sup>4</sup>	17	–	–	–	–	17	17
Jonathan Milner	12	1	127	212	–	352	269
Jim Warwick	52	–	111	135	188	486	301
Jeff Iliffe (appointed 20 November 2007)	8	13	59	103	–	183	–
Eddie Powell <sup>5</sup> (retired 20 November 2007)	38	–	–	81	101	220	193

1 Allowances paid to Jeff Iliffe were in respect of relocation expenses and to Jonathan Milner in respect of travel.

2 The Directors are remunerated through the Company's flexible benefits scheme under which they can elect to switch basic salary into pension contributions and other benefits, to which the Company adds the reduction in its National Insurance contribution arising from the election having been made. The basic salary entitlement of each Executive Director during the year was: Mark Webster (as Executive Director) £47k, Jonathan Milner £186k, Jim Warwick £162k, Jeff Iliffe £93k and Eddie Powell £48k.

3 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.

4 Mark Webster joined the Board as non executive Director on 1 July 2006. From 14 March 2007 to 30 October 2007 he served as an executive director before moving back to serve in a non executive capacity.

5 The pension contribution made on behalf of Eddie Powell included an ex-gratia contribution of £50k which was made on his retirement from the Company.

Directors had the following interests in options over 1p ordinary shares in the Company:

	Share options at 30 June 2007	Number of options granted in the year	Number of options exercised in the year	Share options at 30 June 2008	Exercise Price	Exercise period
David Cleevly	40,000	–	–	40,000	125p	31/01/06 to 29/09/15
Peter Keen	60,000	–	–	60,000	150p	31/01/06 to 26/10/15
Tony Kouzarides	40,000	–	–	40,000	125p	31/01/06 to 29/09/15
Jonathan Milner	40,000	–	–	40,000	62.5p	27/07/07 to 29/09/15
	53,571 <sup>1</sup>	–	–	53,571	280p	08/09/09 to 06/09/16
	–	46,004 <sup>1</sup>	–	46,004	413p	08/05/11 to 07/05/18
Jim Warwick	32,000	–	(32,000)	–	37.5p	16/06/07 to 15/06/13
	32,000	–	–	32,000	50p	16/06/08 to 15/06/13
	40,000	–	(40,000)	–	62.5p	27/07/07 to 29/09/15
	42,142 <sup>1</sup>	–	–	42,142	280p	08/09/09 to 06/09/16
	4,218 <sup>2</sup>	–	–	4,218	224p	01/11/09 to 01/05/10
	–	41,602 <sup>1</sup>	–	41,602	312p	08/11/10 to 07/11/17
Jeff Iliffe	–	89,743 <sup>1</sup>	–	89,743	312p	08/11/10 to 07/11/17
Mark Webster	167,230 <sup>1,3</sup>	–	–	–	296p	01/11/07 to 01/01/08

1 These options were granted under the Abcam plc 2005 plan and are subject to the performance condition that the share price outperforms the FTSE AIM Index at the third anniversary of grant. If this is not the case performance will be tested on certain dates over the next 12 months and if the target is not met on any of those dates, the options will lapse on the fourth anniversary.

2 These options are granted under the Save As You Earn Scheme. Options under the Scheme are not subject to performance conditions.

3 These options lapsed on 31 December 2007.

## Directors' contracts

The notice periods for Directors are as follows:

	Date of contract	Notice period (months)
David Cleevly	24 July 2007	1
Peter Keen	27 October 2005	1
Tony Kouzarides	24 July 2007	1
Tim Dye	26 May 2006	1
Jonathan Milner	10 June 2000	6
Jeff Iliffe	6 November 2007	6
Jim Warwick	1 September 2001	6
Mark Webster	10 July 2007	1

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The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

David Cleeveley, FREng  
Chairman

Jeff Iliffe  
Chief Financial Officer

We have audited the Group and Parent Company financial statements (the "financial statements") of Abcam plc for the year ended 30 June 2008 which comprise the Group Income Statement, the Group statement of recognised income and expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Review, the CEO's review, the Managing Director's review and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent company's affairs as at 30 June 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.



## Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
Cambridge, United Kingdom  
8 September 2008

# Consolidated Income Statement

For the year ended 30 June 2008

Abcam plc  
Annual report and accounts  
30 June 2008

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	Notes	Year ended 30/6/08 £000	Year ended 30/6/07 Restated* £000
Revenue	5	<b>36,694</b>	24,519
Cost of sales		<b>(14,389)</b>	(10,020)
<b>Gross profit</b>		<b>22,305</b>	14,499
Administration and management expenses excluding share based compensation charge		<b>(12,344)</b>	(7,590)
Share based compensation charge		<b>(173)</b>	(142)
Total management and administration expenses		<b>(12,517)</b>	(7,732)
Research and development expenses excluding share based compensation charge		<b>(2,398)</b>	(1,709)
Share based compensation charge		<b>(19)</b>	(20)
Total research and development expenses		<b>(2,417)</b>	(1,729)
<b>Operating profit</b>		<b>7,371</b>	5,038
Investment revenue	5	<b>581</b>	495
<b>Profit before taxation</b>		<b>7,952</b>	5,533
Tax	11	<b>(2,062)</b>	(1,472)
<b>Profit for the period from continuing operations</b>	6,29	<b>5,890</b>	4,061
Earnings per share from continuing operations – pence			
Basic	13	<b>16.88</b>	11.74
Diluted	13	<b>16.56</b>	11.43

\* Restated to reflect the adoption of IFRS as per note 30.

All profit is attributable to equity holders of the parent.



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# Consolidated Statement of Recognised Income and Expense

For the year ended 30 June 2008

Abcam plc  
Annual report and accounts  
30 June 2008

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	<b>Year ended 30/6/08 £000</b>	Year ended 30/6/07 £000
(Losses)/gains on cash flow hedges	<b>(168)</b>	168
Exchange differences on translation of foreign operations	<b>3</b>	(28)
Deferred tax on outstanding share options	<b>502</b>	(30)
Net income recognised directly in equity	<b>337</b>	110
Profit for the year	<b>5,890</b>	4,061
Total recognised income and expense for the year	<b>6,227</b>	4,171

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# Consolidated Balance Sheet

At 30 June 2008

Abcam plc  
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30 June 2008

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	Notes	30/6/08 £000	30/6/07 Restated* £000
<b>Non-current assets</b>			
Intangible assets	14	994	1,691
Property, plant and equipment	15	4,204	2,832
		<b>5,198</b>	4,523
<b>Current assets</b>			
Inventories	17	4,506	3,102
Trade and other receivables	18	4,860	4,327
Cash and cash equivalents	18	13,473	10,709
Short term deposits	18	1,020	–
Derivative financial instruments	19	–	168
		<b>23,859</b>	18,306
<b>Total Assets</b>		<b>29,057</b>	22,829
<b>Current Liabilities</b>			
Trade and other payables	21	(4,073)	(3,045)
Current tax liabilities	21	(382)	(248)
Provisions	22	(96)	(75)
Derivative financial instruments	19	(197)	–
		<b>(4,748)</b>	(3,368)
<b>Net current assets</b>		<b>19,111</b>	14,938
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	(78)	(188)
Deferred creditor	21	(109)	(386)
		<b>(187)</b>	(574)
<b>Total liabilities</b>		<b>(4,935)</b>	(3,942)
<b>Net assets</b>		<b>24,122</b>	18,887
<b>Equity</b>			
Share capital	23,29	351	346
Share premium account	24,29	10,871	10,619
Share based compensation reserve	29	483	251
Deferred tax reserve	29	758	256
Translation reserve	29	(33)	(36)
Hedging reserve	29	–	168
Retained earnings	29	11,692	7,283
Equity attributable to equity holders of the parent		<b>24,122</b>	18,887

\* Restated to reflect the adoption of IFRS as per note 30.

The financial statements were approved by the Board of Directors and authorised for issue on 8 September 2008.

They were signed on its behalf by:

**Jeff Iliffe**  
Director

# Company Balance Sheet

At 30 June 2008

Abcam plc  
Annual report and accounts  
30 June 2008

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	Notes	30/6/08 £000	30/6/07 Restated* £000
<b>Non-current assets</b>			
Intangible assets	14	994	1,691
Property, plant and equipment	15	3,976	2,459
Investments	16	45	16
		<b>5,015</b>	4,166
<b>Current assets</b>			
Inventories	17	4,501	3,089
Trade and other receivables	18	5,144	4,572
Cash and cash equivalents	18	11,918	10,055
Short term deposits	18	1,020	–
Derivative financial instruments	19	–	168
		<b>22,583</b>	17,884
<b>Total Assets</b>		<b>27,598</b>	22,050
<b>Current Liabilities</b>			
Trade and other payables	21	(3,623)	(2,864)
Current tax liabilities	21	(269)	(243)
Provisions	22	(96)	(75)
Derivative financial instruments	19	(197)	–
		<b>(4,185)</b>	(3,182)
<b>Net current assets</b>		<b>18,398</b>	14,702
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	(178)	(188)
Deferred creditor	21	(109)	(386)
		<b>(287)</b>	(574)
<b>Total liabilities</b>		<b>(4,472)</b>	(3,756)
<b>Net assets</b>		<b>23,126</b>	18,294
<b>Equity</b>			
Share capital	23,29	351	346
Share premium account	24,29	10,871	10,619
Share based compensation reserve	29	444	251
Deferred tax reserve	29	758	256
Hedging reserve	29	–	168
Retained earnings	29	10,702	6,654
		<b>23,126</b>	18,294

\* Restated to reflect the adoption of IFRS as per note 30.

The financial statements were approved by the Board of Directors and authorised for issue on 8 September 2008.

They were signed on its behalf by:

**Jeff Iliffe**  
Director

# Consolidated Cash Flow Statement

For the year ended 30 June 2008

Abcam plc  
Annual report and accounts  
30 June 2008

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	Notes	Year ended 30/06/08 £000	Year ended 30/06/07 Restated* £000
<b>Net cash from operating activities</b>	28	<b>7,142</b>	3,426
<b>Investing activities</b>			
Interest received		581	495
Proceeds on disposal of property, plant and equipment		(1)	2
Purchase of property, plant and equipment		(2,445)	(2,316)
Purchase of intangible assets		(274)	(1,848)
Net cash used in investing activities		<b>(2,139)</b>	(3,667)
<b>Financing activities</b>			
Dividends paid		(1,481)	(968)
Proceeds on issue of shares		257	47
Increase in short term deposits		(1,020)	–
Net cash used in financing activities		<b>(2,244)</b>	(921)
Net increase/(decrease) in cash and cash equivalents		<b>2,759</b>	(1,162)
Cash and cash equivalents at beginning of year		<b>10,709</b>	11,884
Effect of foreign exchange rates		5	(13)
Cash and cash equivalents at end of year		<b>13,473</b>	10,709

\* Restated to reflect the adoption of IFRS as per note 30.

# Company Cash Flow Statement

For the year ended 30 June 2008

Abcam plc  
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30 June 2008

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	Notes	Year ended 30/06/08 £000	Year ended 30/06/07 Restated* £000
<b>Net cash from operating activities</b>	28	<b>5,858</b>	2,736
<b>Investing activities</b>			
Interest received		561	504
Proceeds on disposal of property, plant and equipment		1	4
Purchases of property, plant and equipment		(2,434)	(2,000)
Purchases of intangible assets		(251)	(1,848)
Investment in subsidiary		(29)	–
Dividends received		401	269
Net cash used in investing activities		<b>(1,751)</b>	(3,071)
<b>Financing activities</b>			
Dividends paid		(1,481)	(968)
Proceeds on issue of shares		257	46
Increase in short term deposits		(1,020)	–
Net cash used in financing activities		<b>(2,244)</b>	(922)
Net increase/(decrease) in cash and cash equivalents		<b>1,863</b>	(1,257)
Cash and cash equivalents at beginning of year		<b>10,055</b>	11,312
Cash and cash equivalents at end of year		<b>11,918</b>	10,055

\* Restated to reflect the adoption of IFRS as per note 30.



## 1. General information

Abcam plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is 332 Cambridge Science Park, Milton Road, Cambridge, CB4 0FW, United Kingdom.

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 subsidiaries Abcam Inc. and Abcam KK.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

## 2. Significant accounting policies

### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 30.

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

IFRS 8 Operating segments  
IFRIC 12 Service concession arrangements  
IFRIC 13 Customer loyalty programmes  
IFRIC 14 IAS 19 The limit of a defined benefit asset, minimum funding requirements and their interaction.  
IFRS 2 Share based payment (amendment)  
IFRS 3 Business combination (amendment)  
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amendment)  
IAS1 Presentation of Financial Statements (amendment)  
IAS 16 Property, Plant and Equipment (amendment)  
IAS 19 Employee benefits (amendment)  
IAS 20 Accounting for Government Grants and Disclosures of Government Assistance (amendment)  
IAS 23 Borrowing costs (amendment)  
IAS 27 Consolidated and Separate Financial Statements (amendment)  
IAS 28 Investments in Associates (amendment)  
IAS 29 Financial Reporting in Hyperinflationary Economies (amendment)  
IAS 31 Interests in Joint Ventures (amendment)  
IAS 32 Financial Instruments: Presentation (amendment)  
IAS 36 Impairment of Assets (amendment)  
IAS 38 Intangible Assets (amendment)  
IAS 39 Financial Instruments and Measurement (amendment)  
IAS 40 Investment Property (amendment)  
IAS 41 Agriculture (amendment)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 April 2008.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Property, plant and equipment

Property, plant and equipment is 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.

## 2. Significant accounting policies continued

The depreciation rates applied are shown below:

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

Depreciation is accelerated if assets are deemed to have been impaired or there is a change in the residual economic life. The remaining useful lives of assets are re-assessed at each balance sheet date.

### Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Payments made to acquire distribution rights from third parties are capitalised and are amortised over the period of the agreement.

These assets are amortised on a straight line basis over their estimated minimum useful lives of 3 years.

Intangible assets are reviewed for impairment both annually and when there is an indication that an asset may be impaired when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual values, useful lives, and methods of valuation are reviewed and adjusted, if appropriate, at each financial year end.

### Investments

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the actual cost of the product when acquired or manufactured.

The cost of Abcam own manufactured inventory includes material, direct labour and an attributable portion of production overheads based on normal levels of activity and is calculated using the standard cost method.

Net realisable value is based on the 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.

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

### Derivative financial instruments

Forward contracts are used by the Group to manage its exposure to the risk associated with the variability in cash flows in relation to both recognised assets or liabilities and forecast transactions. All derivative financial instruments are measured at the balance sheet date at their fair value.

Where derivative financial instruments are not designated as or not determined to be effective hedges, any gain or loss on the remeasurement of the fair value of the instrument at the balance sheet date is taken to the income statement.

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

For the year ended 30 June 2008

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## 2. Significant accounting policies continued

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement from that date. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or liabilities.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### 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 income statement in respect of pension costs is the contribution 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 income statement in the year in respect of the pension scheme was £815,000 (2007: £253,000). The amounts included in creditors at 30 June 2008 in relation to the pension scheme is £65,000 (2007: £38,000).

### Leases

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

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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## 2. Significant accounting policies continued

### Foreign exchange

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the rates prevailing at the balance sheet date. Non-monetary items carried at fair value are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, 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 classified as equity and recognised in the Group's foreign currency translation reserve.

The treatment of exchange differences on transactions entered into to hedge certain foreign currency risks is detailed under derivative financial instruments above.

All other differences are included in the income statement in the period in which they arise.

### Share based payments

The Group has applied the requirements of IFRS 2 Share-based payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2006.

The Group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. There are both market and non-market based performance conditions attached to the vesting and exercising of equity instruments. Fair value is measured by the use of the Monte Carlo Simulation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to retained earnings.

### Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

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

### Cash and cash equivalents

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

### Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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### 3. Critical accounting judgements and estimates

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make estimates and assumptions, in accordance with IFRS, that affect the amounts reported as assets and liabilities as at the date of reporting the financial statements, and the reported amounts of revenues and expenditure during the year. In preparation of the consolidated financial statements, estimates and assumptions have been made by the Directors concerning the fair value of share options, the estimated useful lives of fixed assets, accruals and provisions required, the carrying value of investments, the recoverability of deferred tax assets, the carrying value of intangible assets and other similar evaluations. Actual amounts that result could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities or the most significant effect on the amounts recognised in financial statements are:

#### Impairment of intangibles

During the year, management renegotiated a product line acquisition deal. Consequently, it was considered that the carrying value of the intangible was overstated and it was adjusted to take account of the anticipated future sales and the risk associated with the contract.

#### Fair value of derivatives and other financial instruments

As described in Note 26, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

#### Valuation of own manufactured inventory

The standard costs used for the valuation of own manufactured inventory require a number of assumptions concerning the allocation of overheads. These assumptions are based primarily on management's estimates of time spent in each relevant area of activity.

#### Provision for obsolete stock

The provision for obsolete stock is based on management's estimation of the commercial life of inventory lines and is applied on a prudent basis. In assessing this, management takes in to consideration the sales history of products and the length of time that they have been available for resale.

### 4. Income statement for the Company

The profit for the financial year dealt with in the financial statements of the Company was £5,126,000 (2007: £3,687,000).

### 5. Business and geographical segments

#### Geographical segments

The Group's operations are located in the UK, USA and Japan.

#### Business segments

The Directors consider that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business.



## 5. Business and geographical segments continued

	North America Year ended 30/6/08 £000	Europe Year ended 30/6/08 £000	UK and rest of world Year ended 30/6/08 £000	Japan Year ended 30/6/08 £000	Total Year ended 30/6/08 £000
<b>Revenue</b>					
Total revenue	16,947	10,748	6,884	2,115	36,694
<b>Result</b>					
Segment result	1,046	5,198	3,327	215	9,786
Unallocated corporate expenses					(2,415)
Operating profit					7,371
Investment revenues					581
Profit before tax					7,952
Tax					(2,062)
Profit after tax					5,890
<b>Other information</b>					
Capital additions	28	–	2,744	4	2,776
Depreciation and amortisation	172	–	1,255	10	1,437
Impairment losses recognised in income	–	–	642	–	642
<b>Balance sheet</b>					
<b>Assets</b>					
Segment assets	2,946	–	25,384	727	29,057
Consolidated total assets					29,057
<b>Liabilities</b>					
Segment liabilities	(307)	–	(4,377)	(251)	(4,935)
Consolidated total liabilities					(4,935)

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## 5. Business and geographical segments continued

	North America Year ended 30/6/07 £000	Europe Year ended 30/6/07 £000	UK and rest of world Year ended 30/6/07 £000	Japan Year ended 30/6/07 £000	Total Year ended 30/6/07 £000
<b>Revenue</b>					
Total revenue	12,815	5,899	5,077	728	24,519
<b>Result</b>					
Segment result	768	3,254	2,823	(78)	6,767
Unallocated corporate expenses					(1,729)
Operating profit					5,038
Investment revenues					495
Profit before tax					5,533
Tax					(1,472)
Profit after tax					4,061
<b>Other information</b>					
Capital additions	285	–	3,848	31	4,164
Depreciation and amortisation	117	–	673	5	795
<b>Balance sheet</b>					
<b>Assets</b>					
Segment assets	2,133	–	20,131	565	22,829
Consolidated total assets					22,829
<b>Liabilities</b>					
Segment liabilities	(154)	–	(3,757)	(31)	(3,942)
Consolidated total liabilities					(3,942)

## 6. Profit for the year

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

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Net foreign exchange losses/(gains)	136	(283)
Operating lease rentals – land and buildings (note 9)	545	237
Depreciation and amortisation of owned assets	1,437	795
Impairment loss on Intangible assets	642	–
Cost of inventories recognised as an expense	13,850	9,692
Write-down of inventories recognised as an expense	539	328
Staff costs (note 8)	7,308	5,250
Impairment loss recognised on trade receivables	367	153
Legal fees associated with potential offer for group	250	–
Auditors' remuneration (note 7)	91	152

## 7. Auditors' remuneration

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
The analysis of the auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual accounts	75	79
Total audit fees	75	79
Fees payable to the company's auditors for other services to the group		
– Tax services	13	73
– Employment benefits	3	–
Total non-audit fees	16	73

## 8. Staff costs

### Group

The average monthly number of employees (including executive directors) was:

	Year ended 30/6/08 Number	Year ended 30/6/07 Number
Management, administrative, marketing and distribution	130	101
Laboratory	36	20
	166	121

Their aggregate remuneration comprised:

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Wages and salaries	5,776	4,369
Social security costs	525	466
Pension costs	815	253
Charge in respect of share options granted	192	162
	7,308	5,250

### Company

The average monthly number of employees (including executive directors) was:

	Year ended 30/6/08 Number	Year ended 30/6/07 Number
Management, administrative, marketing and distribution	88	69
Laboratory	36	20
	124	89

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## 8. Staff costs continued

Their aggregate remuneration comprised:

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Wages and salaries	4,508	3,511
Social security costs	350	359
Other pension costs	776	233
Charge in respect of share options granted	162	162
	<b>5,796</b>	4,265

## 9. Operating lease arrangements

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Minimum lease payments under operating leases recognised as an expense in the year	545	237

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

### Group

	30/6/08 £000	30/6/07 £000
Within one year	651	197
In the second to fifth years inclusive	1,615	631
	<b>2,266</b>	828

### Company

	30/6/08 £000	30/6/07 £000
Within one year	392	197
In the second to fifth years inclusive	996	631
	<b>1,388</b>	828

## 10. Other gains or losses

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Loss/(Gain) in fair value of forward exchange contracts		
– On contracts used as hedging instruments	–	(1)
– On other contracts (see accounting policy note for derivative financial instruments.)	197	–

## 11. Tax

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Current tax	1,632	1,159
Deferred tax (note 20)	430	313
	<b>2,062</b>	1,472

Corporation tax is calculated at 29.5% (2007: 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Year ended 30/6/08 £000	Year ended 30/6/08 %	Year ended 30/6/07 £000	Year ended 30/6/07 %
Profit before tax	7,952		5,533	
Tax at the UK corporation tax rate of 29.5% (2007: 30%)	2,346	29.50%	1,660	30.00%
Effect of different tax rates of subsidiaries operating in different jurisdictions	158	1.99%	110	1.99%
Tax effect of expenses that are not deductible in determining taxable profit	75	0.94%	9	0.16%
R&D Tax credit uplift	(325)	(4.09%)	(199)	(3.60%)
Deduction for exercise for share options	(122)	(1.53%)	(108)	(1.95%)
Prior year adjustments	(70)	(0.88%)	-	-
Tax expense and effective rate for the year	<b>2,062</b>	<b>25.93%</b>	1,472	26.60%

## 12. Dividends

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 June 2007 of 3.19p (2006: 2.00p) per share	1,116	691
Interim dividend for the year ended 30 June 2008 of 1.04p (2007: 0.80p) per share	365	277
	<b>1,481</b>	968
Proposed final dividend for the year ended 30 June 2008 of 4.56p (2007: 3.19p) per share	<b>1,599</b>	1,105

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



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## 13. Earnings per share

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

	Year ended 30/6/08 £000	Year ended 30/6/07 £000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	5,890	4,061
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	34,902,538	34,572,810
Effect of dilutive potential ordinary shares:		
Share options	671,614	943,674
Weighted average number of ordinary shares for the purposes of diluted earnings per share	35,574,152	35,516,484

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated on the same basis as the basic earnings per share but with a further adjustment for the weighted average shares in issue to reflect the effect of all dilutive potential ordinary shares. The number of dilutive potential ordinary shares is derived from the number of share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

## 14. Intangible assets Group and Company

	Upfront licence fees £000	Distribution Rights £000	Total £000
Cost			
At 1 July 2007	150	1,798	1,948
Additions	15	237	252
Disposals	(1)	–	(1)
Revaluation for impairment	–	(642)	(642)
<b>At 30 June 2008</b>	<b>164</b>	<b>1,393</b>	<b>1,557</b>
Amortisation			
At 1 July 2007	68	189	257
Charge for the year	53	254	307
Disposals	(1)	–	(1)
<b>At 30 June 2008</b>	<b>120</b>	<b>443</b>	<b>563</b>
Carrying amount			
At 30 June 2007	82	1,609	1,691
<b>At 30 June 2008</b>	<b>44</b>	<b>950</b>	<b>994</b>

The amortisation period for the upfront licence fees is 3 years. The amortisation period for the distribution rights is the term of the deal. The impairment loss is in respect of the reduction in the forecast revenues and profits of one of the distribution rights agreements.

## 15. Property, plant and equipment Group

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas £000	Total £000
<b>Cost</b>					
At 1 July 2007	454	2,531	948	–	3,933
Additions	158	2,168	166	22	2,514
Exchange differences	4	1	2	–	7
Disposals	(28)	(21)	(5)	–	(54)
<b>At 30 June 2008</b>	<b>588</b>	<b>4,679</b>	<b>1,111</b>	<b>22</b>	<b>6,400</b>
<b>Accumulated depreciation</b>					
At 1 July 2007	218	346	537	–	1,101
Charge for the year	149	709	269	3	1,130
Exchange differences	(23)	(9)	(5)	–	(37)
Eliminated on disposals	1	–	1	–	2
<b>At 30 June 2008</b>	<b>345</b>	<b>1,046</b>	<b>802</b>	<b>3</b>	<b>2,196</b>
<b>Carrying amount</b>					
At 30 June 2007	236	2,185	411	–	2,832
<b>At 30 June 2008</b>	<b>243</b>	<b>3,633</b>	<b>309</b>	<b>19</b>	<b>4,204</b>

## Company

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas £000	Total £000
<b>Cost</b>					
At 1 July 2007	344	2,286	750	–	3,380
Additions	143	2,161	156	22	2,482
Disposals	(26)	(20)	(2)	–	(48)
<b>At 30 June 2008</b>	<b>461</b>	<b>4,427</b>	<b>904</b>	<b>22</b>	<b>5,814</b>
<b>Accumulated depreciation</b>					
At 1 July 2007	180	292	449	–	921
Charge for the year	113	660	172	3	948
Eliminated on disposals	(21)	(9)	(1)	–	(31)
<b>At 30 June 2008</b>	<b>272</b>	<b>943</b>	<b>620</b>	<b>3</b>	<b>1,838</b>
<b>Carrying amount</b>					
At 30 June 2007	164	1,994	301	–	2,459
<b>At 30 June 2008</b>	<b>189</b>	<b>3,484</b>	<b>284</b>	<b>19</b>	<b>3,976</b>

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## 16. Investments

The company's subsidiaries at 30 June 2008 are:

	Country of incorporation	Proportion of shares held	Proportion of voting power held
Abcam Inc	USA	100%	100%
Abcam KK	Japan	100%	100%
Camgene	UK	100%	100%

Abcam Inc and Abcam KK are involved in the sale and distribution of antibodies. Camgene is dormant.

Analysis of changes in Investments

	£000
Cost	
At 1 July 2007	16
Additions	29
<b>At 30 June 2008</b>	<b>45</b>

Investments are held at cost less provision for impairment. All additions represent share based payment charges for share options issued by the Company to employees of the subsidiaries.

## 17. Inventories

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
Goods for resale	4,506	4,501	3,102	3,089

## 18. Financial assets

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
Trade and other receivables:				
Amounts receivable for the sale of goods	4,288	2,470	3,539	1,905
Allowance for doubtful debts	(591)	(413)	(224)	(197)
	<b>3,697</b>	<b>2,057</b>	3,315	1,708
Owed by subsidiary undertakings	–	2,169	–	1,461
Other debtors	499	292	543	979
Prepayments	664	626	469	424
	<b>4,860</b>	<b>5,144</b>	4,327	4,572

The average credit period taken for sales is 34.4 days (2007: 44.3 days). No interest is charged on the receivables. Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience. The Group and Company have provided fully for all amounts over 120 days because historical experience is such that receivables that are past due 120 days are not generally recoverable. Trade receivables between 30 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods determined by reference to past default experience.

Credit limits for each customer are reviewed on a monthly basis. There are no customers who represent more than 5% of the total balance of trade receivables.

The analysis below show the balances included in debtors which are past due at the reporting date for which the Group or Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

## 18. Financial assets continued

### Ageing of past due but not impaired receivables

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
30-60 days	242	111	297	144
60-90	48	48	231	121
>90 days	–	–	331	181
Total	290	159	859	446

During the year the Group has formalised and improved the credit control procedures. This has resulted in a noticeable improvement in the ageing of the debtors.

### Movement in the allowance for doubtful debts

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
Balance at the beginning of the year	224	198	85	46
Impairment losses recognised	367	215	139	152
Balance at the end of the year	591	413	224	198

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

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £289,000 (2007: £121,000) relating to companies in financial difficulties. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected litigation proceeds. Neither the Group or the Company hold collateral over these balances.

### Ageing of impaired receivables

	30/6/08 £000	30/6/07 £000
60-90 days	38	–
>90 days	553	224
Total	591	224

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

### Cash and cash equivalents, and short term deposits

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
Cash and cash equivalents, and short term deposits	14,493	12,938	10,709	10,055

Cash and cash equivalents and short term deposits comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

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## 19. Derivative financial instruments Group and Company

	Current 30/6/08 £000	30/6/07 £000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward exchange contracts	–	168
Derivatives carried at fair value through profit and loss (FVTPL)		
Forward exchange contracts	(197)	–
	(197)	168

On 22 April 2008, all hedging instruments were de-designated and the fair value adjustments on the outstanding forward exchange contracts were charged through the profit and loss.

## 20. Deferred tax

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

### Group

	Accelerated tax depreciation £000	Share based payment £000	Other timing differences £000	Total £000
At 1 July 2006	(152)	317	40	205
Charge to income	(397)	46	15	(336)
Charge to equity	–	(57)	–	(57)
At 30 June 2007	(549)	306	55	(188)
Charge to income	(332)	(224)	126	(430)
Credit to equity	–	540	–	540
<b>At 30 June 2008</b>	<b>(881)</b>	<b>622</b>	<b>181</b>	<b>(78)</b>

### Company

	Accelerated tax depreciation £000	Share based payment £000	Other timing differences £000	Total £000
At 1 July 2006	(152)	317	40	205
Charge to income	(397)	46	15	(336)
Charge to equity	–	(57)	–	(57)
At 30 June 2007	(549)	306	55	(188)
Charge to income	(338)	54	54	(230)
Credit to equity	–	240	–	240
<b>At 30 June 2008</b>	<b>(887)</b>	<b>600</b>	<b>109</b>	<b>(178)</b>

At the balance sheet date, the aggregate amount of temporary differences associated with undistributable earnings of subsidiaries for which a deferred tax liability has not been recognised is £1,028,000 (2007: £595,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 21. Other financial liabilities

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
Trade and other payables				
Trade creditors and accruals	3,638	3,221	2,474	2,309
Deferred creditor	86	86	110	110
Corporation tax	382	269	248	243
Other taxes and social security	160	159	124	124
Other creditors	189	157	337	321
	<b>4,455</b>	<b>3,892</b>	3,293	3,107

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 17 days (2007: 32 days). At the end of the previous financial year, it was decided that suppliers should be paid on a more frequent basis.

Most suppliers do not charge interest for the first 60 days of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The deferred creditor represents the earn-out payable on sales of products under a distribution agreement (see note 14). The portion payable in more than 12 months is included in non-current liabilities. (2008: £109,000 2007: £386,000)

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

## 22. Provisions

	Group 30/6/08 £000	Company 30/6/08 £000	Group 30/6/07 £000	Company 30/6/07 £000
Amounts payable under the loyalty scheme				
Opening balance	75	75	45	45
Awarded in year	314	314	245	245
Expired in year	(184)	(184)	(133)	(133)
Redeemed in year	(109)	(109)	(82)	(82)
Closing balance	<b>96</b>	<b>96</b>	75	75

This represents amounts awarded to customer under a loyalty scheme.

## 23. Share Capital Group and Company

	30/6/08 £000	30/6/07 £000
Authorised:		
100,000,000 ordinary shares of 1p each	<b>1,000</b>	1,000
Issued and fully paid:		
35,066,781 (2007: 34,623,384) ordinary shares of 1p each	<b>351</b>	346

The Company operates a number of share option schemes for certain employees of the Group. Details are provided in note 25.

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## 24. Share Premium Group and Company

	£000
Balance at 1 July 2006	10,573
Premium arising on issue of equity shares	46
Balance at 1 July 2007	10,619
Premium arising on issue of equity shares	252
<b>Balance at 30 June 2008</b>	<b>10,871</b>

There were no costs of issue.

## 25. Share-based payments Equity-settled share option scheme

The Company operates a number of share option schemes for certain employees of the Group. The share based compensation charge is made up from option awards from the EMI plan, Unapproved share option plan, the US employees share option plan and the SAYE plan. Option grants under each scheme have been aggregated.

The vesting period is from one to three years other than for those options with performance criteria, which vest when the criteria are met. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest. The fair value of the options at the date of grant is the market price.

The volatility of the options is based on the long term average volatility in the share price of five quoted companies that are considered to have a reasonable comparability with Abcam plc. The dividend yield is based on Abcam's actual dividend yield in the past.

The risk free rate is the yield on UK Government Gilts at each date of grant.

The employee exercise multiple is based on published statistics for a portfolio of companies.

The employee exit rate is based on management's expectations and, in accordance with IFRS 2, is applied after vesting.

Details of the share options outstanding during the year are as follows:

### Summary of all schemes

Options outstanding as at 30 June 2008 had an exercise price of between 10p and 413p (2007: 10p and 280p). The weighted average remaining contractual life is 8.12 years (2007: 5.92 years). The weighted average fair value of the options outstanding at the end of the year was 65.24p (2007: 46.27p). The group recorded total expenses of £192,000 (2007: 162,000).

	2008 No. of Share options	Weighted average exercise price p	2007 No. of Share options	Weighted average exercise price p
Outstanding at beginning of year	1,497,902	152.83	1,085,160	47.40
Granted during the year	514,349	320.08	651,393	280.00
Forfeited during the year	(260,287)	233.19	(79,851)	280.00
Exercised during the year	(441,815)	57.37	(158,800)	30.00
Outstanding at the end of the year	1,310,149	219.32	1,497,902	152.83
Exercisable at end of year	302,640	43.07	657,960	46.55



## 25. Share-based payments continued Enterprise management incentive scheme

	2008 No. of Share options	Weighted average exercise price p	2007 No. of Share options	Weighted average exercise price p
Outstanding at beginning of year	966,191	131.51	768,480	39.20
Granted during the year	284,851	312.00	352,240	281.40
Forfeited during the year	(90,177)	161.41	(37,089)	280.00
Exercised during the year	(327,337)	53.80	(117,440)	31.80
Outstanding at the end of the year	833,528	206.94	966,191	131.51
Exercisable at end of year	262,640	40.11	547,040	43.66

The growth in the net assets of the Group means that the Group will shortly exceed the limits set by the Inland Revenue for the tax incentives available under the Enterprise management incentive scheme.

## Unapproved share option scheme

	2008 No. of Share options	Weighted average exercise price p	2007 No. of Share options	Weighted average exercise price p
Outstanding at beginning of year	427,504	194.71	261,360	82.60
Granted during the year	148,338	340.30	168,246	292.70
Forfeited during the year	(137,375)	288.34	(742)	280.00
Exercised during the year	(83,558)	71.76	(1,360)	62.50
Outstanding at the end of the year	354,909	223.66	427,504	194.71
Exercisable at end of year	40,000	62.50	80,000	62.50

## Abcam Inc share scheme

	2008 No. of Share options	Weighted average exercise price p	2007 No. of Share options	Weighted average exercise price p
Outstanding at beginning of year	104,207	185.56	55,320	62.50
Granted during the year	81,160	312.00	90,907	280.00
Forfeited during the year	(32,735)	312.00	(42,020)	248.74
Exercised during the year	(30,920)	56.33	–	–
Outstanding at the end of the year	121,712	291.47	104,207	185.56
Exercisable at end of year	–	–	30,920	62.50

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## 25. Share-based payments continued

During the year the company issued 1p ordinary shares as follows:

Date issued	Number of shares	Exercise Price p	Total Paid £
October 2007	760	10.0	76
October 2007	20,640	25.0	5,160
October 2007	32,000	37.5	12,000
October 2007	235,080	62.5	146,933
November 2007	61,800	25.0	15,450
November 2007	20,000	30.0	6,000
December 2007	7,200	25.0	1,800
December 2007	2,120	62.5	1,325
February 2008	14,495	280.0	40,586
March 2008	10,000	25.0	2,500
March 2008	3,640	56.3	2,049
March 2008	4,040	62.5	2,525
April 2008	9,160	56.3	5,157
April 2008	2,760	62.5	1,725
May 2008	18,120	56.3	10,202
May 2008	1,582*	224.0	3,544
	443,397		257,032

\*Issued under SAYE scheme.

### Fair value calculation

The fair value of the option schemes, other than those options with market based performance criteria, has been calculated using the Trinomial method. The inputs into the Trinomial model are as follows:

#### EMI Scheme

Grant date	16/6/03	16/6/03	5/7/04	17/12/04	27/5/05	5/9/05
Share price at grant-pence	10	10	25	30	62.5	62.5
Fair value at valuation date-pence	2.6	2.6	8.5	12.3	19.2	19.1
Exercise price-pence	25	37.5	25	25	62.5	62.5
Expected volatility	40%	40%	35%	35%	30%	30%
Expected life-years	3	3.08	2	2.88	2	2
Expected dividend yield	1.1	1.1	1.1	1.1	1.1	1.1
Risk free rate	3.97%	3.97%	5.08%	4.49%	4.31%	4.15%
Employee exercise multiple	2	2	2	2	2	2
Employee exit rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

#### Unapproved scheme

Grant date	20/12/04	20/12/04	30/9/05	30/9/05	27/10/05
Share price at grant-pence	30	30	62.5	62.5	167
Fair value at valuation date-pence	11.2	11.6	18.9	10.2	55.77
Exercise price-pence	25	25	62.5	125	150
Expected volatility	35%	35%	30%	30%	30%
Expected life-years	1.54	2	1.82	1.82	1.635
Expected dividend yield	1.1	1.1	1.1	1.1	1.1
Risk free rate	4.46%	4.46%	4.29%	4.29%	4.40%
Employee exercise multiple	2	2	2	2	2
Employee exit rate	10.00%	10.00%	10.00%	10.00%	10.00%

## 25. Share-based payments continued

The fair value of options issued after September 2006, with market based performance criteria, are calculated using the Monte Carlo model. The inputs into the Monte Carlo model are as follows:

Grant date	7/9/06	8/11/07	7/5/08
Share price at grant-pence	280	312	413
Fair value at valuation date-pence	84	0.59	1.23
Exercise price-pence	280	312	413
Expected volatility	30%	30%	30%
Expected life-years	3	3.01	3
Expected dividend yield	1.1	1.5	1.5
Risk free rate	4.57%	4.80%	4.79%
Employee exercise multiple	2	2	2
Employee exit rate	9.53%	12.00%	12.00%

## 26. Financial instruments

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in relevant note to the financial statements.

### Categories of financial instruments

All financial instruments are held for trading.

	Group carrying value		Company carrying value	
	30/6/08 £000	30/6/07 £000	30/6/08 £000	30/6/07 £000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Amounts owed by Group undertakings	–	–	2,033	1,461
Trade receivables	3,697	3,315	2,057	1,708
VAT Recoverable (included in other debtors)	234	440	234	440
	<b>3,931</b>	3,755	<b>4,324</b>	3,609
<b>Cash and cash equivalents</b>				
Deposits held to maturity	12,587	8,500	11,520	8,500
Cash and cash equivalents	1,906	2,209	1,418	1,555
	<b>14,493</b>	10,709	<b>12,938</b>	10,055
<b>Financial liabilities</b>				
<b>Other financial liabilities at amortised cost</b>				
Amounts owed by Group undertakings	–	–	93	–
Trade payables	1,994	1,719	1,784	1,324
Corporation tax payable	382	248	269	564
Other taxes and social security	160	124	160	124
Accruals	2,014	1,277	1,680	1,170
Deferred creditor (shown under Non-Current liabilities)	109	386	109	386
	<b>4,659</b>	3,754	<b>4,095</b>	3,568

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial assets and liabilities. This is because most of the financial assets and liabilities are short term.

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## 26. Financial Instruments continued

### Risk in relation to the use of financial instruments

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or the Company. Trade receivables consist of a large number of customers spread across diverse geographical areas. The Group does not have any significant credit risk exposure to any single counterparty. Ongoing credit evaluation is performed on the financial condition of accounts receivable and consideration is given as to whether there is any impairment in the value of any amounts owing.

The standard payment terms for receivables other than intragroup balances are 30 days. Any variation in these terms requires authorisation by senior management. Year end debtor days are 34.4 (2007: 44.3). All overdue debts are provided for where collectability is considered doubtful or the value of the debt is impaired. Objective evidence of impairment could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 34.4 days, as well as observable changes in international or local economic conditions.

The standard payment terms for intragroup receivables is 45 days. There is not considered to be any risk of impairment of these receivables unless the financial assets of the entity holding the corresponding liability are impaired.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Funds are split between at least two institutions.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward exchange contracts to hedge the exchange rate risk arising on the sales of goods and services denominated in Dollars and Euros.

#### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. The Group's policy is to maintain natural hedges, where possible, by matching foreign currency revenue and expenditure. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities		Assets	
	30/6/08 £000	30/6/07 £000	30/6/08 £000	30/6/07 £000
Euros	79	79	1,655	1,183
Dollars	821	752	3,886	1,511
Yen	17	32	539	455
	<b>917</b>	863	<b>6,080</b>	3,149

#### Foreign currency sensitivity analysis

The Group's principal functional currency is pound sterling. The Group is mainly exposed to US dollars and Euros but has an increasing exposure to Japanese Yen. The following table details the Group's sensitivity to an 8% increase and decrease in Sterling against the relevant foreign currencies. 8% is considered by management to be a reasonably possible change in foreign exchange rates after giving consideration to changes in exchange rates over the last 12 months.

The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and the cash flow hedging reserve and adjusts their translation at the period end for an 8% change in foreign exchange rates. The analysis below shows the increase or decrease in profit and the change in equity when the Sterling weakens or strengthens 8% against the relevant currency.

## 26. Financial Instruments continued

	Euro currency impact		Dollar currency impact	
	2008 £000	2007 £000	2008 £000	2007 £000
Impact of 8% strengthening				
– foreign currency financial assets and liabilities	(117)	(82)	(227)	(56)
– Cash flow hedging reserve	–	316	–	176
Impact of 8% weakening				
– foreign currency financial assets and liabilities	137	96	266	66
– Cash flow hedging reserve	–	(396)	–	(562)

The Group's sensitivity to foreign currency has increased during the period due to increased sales levels. This increase has been proportionately more than the increase in US dollar purchases. In management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk at year end. The Group's policy is to maintain natural hedges, where possible, by matching US dollar revenue with US dollar expenditure.

### Forward exchange contracts

It is the policy of the Group to enter into forward exchange contracts to manage the risk associated with anticipated sales transactions within 30% to 80% of the exposure generated.

The Group uses a rolling hedging strategy with contracts with terms up to 12 months. Upon maturity of a forward contract, the Group may enter in to a new contract designated as a separate hedging relationship.

Foreign currency forward contracts are measured using quoted forward exchange rates matching maturities of the contracts.

### Outstanding contracts

	Average rate 30/6/08	Foreign currency 30/6/08 000's	Contract value 30/6/08 000's	Fair value 30/6/08 000's
Sell US Dollars				
Less than 3 months	1.97	\$1,200	£608	£3
3 to 6 months	1.96	\$2,400	£1,222	£2
7 to 12 months	1.94	\$600	£309	£2
	1.96	\$4,200	£2,139	£7
Sell Euros				
Less than 3 months	1.33	€1,700	£1,278	£(70)
3 to 6 months	1.34	€2,800	£2,088	£(133)
7 to 12 months	–	–	–	–
	1.34	€4,500	£3,366	£(203)
Total of outstanding forward contracts			£5,505	£(196)

	Average rate 30/6/07	Foreign currency 30/6/07 000's	Contract value 30/6/07 000's	Fair value 30/6/07 000's
Sell US Dollars				
Less than 3 months	1.92	\$1,200	£624	£25
3 to 6 months	1.92	\$2,250	£1,171	£46
7 to 12 months	1.76	\$3,950	£2,245	£85
	1.83	\$7,400	£4,040	£156
Sell Euros				
Less than 3 months	1.48	€400	£268	–
3 to 6 months	1.47	€3,950	£2,685	£4
7 to 12 months	1.46	€2,100	£1,441	£8
	1.47	€6,450	£4,394	£12
Total of outstanding forward contracts			£8,434	£168

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## 26. Financial Instruments continued

The analysis below shows the increase or decrease in profit and the change in equity when the Sterling weakens or strengthens 8% against the relevant currency.

	30/06/08 £000	30/06/07 £000
Fair value of outstanding contracts should sterling strengthen by 8%		
US Dollars	154	176
Euros	440	316
	594	492
	30/06/08 £000	30/06/07 £000
Fair value of outstanding contracts should sterling weaken by 8%		
US Dollars	(196)	(562)
Euros	(72)	(396)
	(268)	(958)

At 30 June 2007, all of the contracts were held as cash flow hedges. At 30 June 2008, none of the contracts were held as cash flow hedges.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

The Group and Company hold cash deposits at call or with a maturity of up to 12 months. At 30 June 2008, the average maturity of balances was 35 days of fixed rate deposits not sensitive to changes in interest rates.

All funds are readily available to the Company to meet operational requirements.

The amount owing from subsidiaries is payable on demand and is classified as being payable within 1 month. Trade payables are normally payable within 30 days of invoice.

## 26. Financial Instruments continued

### Liquidity and interest risk tables – financial liabilities

(All balances are capital and do not include accrued interest)

	Weighted average interest rate %	On demand 1 month £000	1 to 3 months £000	3 months to 1 year £000	Total £000
<b>Group 2008</b>					
Trade payables	–	1,110	603	4	1,717
Accruals	–	1,561	–	474	2,035
		<b>2,671</b>	<b>603</b>	<b>478</b>	<b>3,752</b>
<b>Company 2008</b>					
Trade payables	–	1,610	25	–	1,635
Accruals	–	1,284	–	418	1,702
		<b>2,894</b>	<b>25</b>	<b>418</b>	<b>3,337</b>

	Weighted average interest rate %	On demand 1 month £000	1 to 3 months £000	3 months to 1 year £000	Total £000
<b>Group 2007</b>					
Trade payables	–	1,184	225	–	1,409
Accruals	–	988	–	262	1,250
		<b>2,172</b>	<b>225</b>	<b>262</b>	<b>2,659</b>
<b>Company 2007</b>					
Trade payables	–	1,194	217	–	1,411
Accruals	–	848	–	235	1,083
		<b>2,042</b>	<b>217</b>	<b>235</b>	<b>2,494</b>

### Interest rate risk sensitivity analysis

An increase of 1% in the average interest rate during the year would have resulted in an increase in interest received by the Group of £113,000 (2007: £111,000) and by the Company of £103,000 (2007: £111,000).

A decrease of 1% in the average interest rate during the year would have resulted in an equal and opposite impact on interest received by the Group and the Company as described above.

### Fair value of financial instruments

The fair values of the financial assets and liabilities are determined as follows:

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

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial assets and liabilities at the balance sheet date. This is because most of the financial assets and liabilities are short term.



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## 27. Related party transactions

Under a New Product Development agreement with a laboratory associated with Tony Kouzarides, (a Non-Executive Director of the Company) Abcam provided products from its catalogue free of charge, with a resale value of £16,714 (2007: £14,000) and paid £36,148 in royalties (2007: £23,000). £6,632 of these royalties were outstanding at year end (2007: £7,000).

Eddie Powell, who retired as Finance Director on 20 November 2007 was subsequently employed as an independent contractor for which he was paid £15,322.

## Remuneration of key personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

### Group and Company

	30/6/08 £000	30/6/07 £000
Short term employee benefits and fees	1,221	843
Share-based payment	50	29
	<b>1,271</b>	<b>872</b>

## 28. Notes to the cash flow statement

### Group

	30/6/08 £000	30/6/07 £000
Operating profit for the year	7,371	5,038
Adjustments for:		
Depreciation of property, plant and equipment	1,092	561
Impairment losses on intangible assets	642	-
Amortisation of intangible assets	309	234
Share based compensation charge	232	163
Operating cash flows before movements in working capital	9,646	5,996
Increase in inventories	(1,405)	(744)
Increase in receivables	(533)	(1,566)
Increase in payables	772	1,045
Decrease in derivative financial instruments	365	-
(Decrease)/Increase in hedging reserve	(168)	168
Cash generated by operations	8,677	4,899
Income taxes paid	(1,535)	(1,473)
<b>Net cash from operating activities</b>	<b>7,142</b>	<b>3,426</b>

### Company

	30/6/08 £000	30/6/07 £000
Operating profit for the year	6,113	4,343
Adjustments for:		
Depreciation of property, plant and equipment	917	439
Impairment losses on intangible assets	642	-
Amortisation of intangible assets	306	234
Share based compensation charge	192	163
Operating cash flows before movements in working capital	8,170	5,179
Increase in inventories	(1,412)	(741)
Increase in receivables	(572)	(1,896)
Increase in payables	503	1,031
Decrease in derivative financial instruments	365	-
(Decrease)/increase in hedging reserve	(168)	168
Cash generated by operations	6,886	3,741
Income taxes paid	(1,028)	(1,005)
<b>Net cash from operating activities</b>	<b>5,858</b>	<b>2,736</b>

## 29. Reconciliation of movements in equity

### Group

	Share capital £000	Share premium £000	Translation reserve <sup>1</sup> £000	Share-based compensation reserve <sup>2</sup> £000	Hedging reserve <sup>3</sup> £000	Deferred tax reserve <sup>4</sup> £000	Retained earnings £000	Total £000
Balance as at 1 July 2006	345	10,573	(8)	89	–	286	4,190	15,475
Exchange differences on translating foreign operations	–	–	(28)	–	–	–	–	(28)
Share-based compensation	–	–	–	162	–	–	–	162
Deferred tax on outstanding share options	–	–	–	–	–	(30)	–	(30)
Profit for the year	–	–	–	–	–	–	4,061	4,061
Total income and expense for the year	–	–	(28)	162	–	(30)	4,061	4,165
Issue of share capital	1	46	–	–	–	–	–	47
Movement on hedging reserve for the adoption of hedge accounting	–	–	–	–	168	–	–	168
Payment of dividends (note 12)	–	–	–	–	–	–	(968)	(968)
Balance as at 30 June 2007	346	10,619	(36)	251	168	256	7,283	18,887
Exchange differences on translating foreign operations	–	–	3	–	–	–	–	3
Share-based compensation	–	–	–	232	–	–	–	232
Deferred tax on outstanding share options	–	–	–	–	–	502	–	502
Profit for the year	–	–	–	–	–	–	5,890	5,890
Total income and expense for the year	–	–	3	232	–	502	5,890	6,627
Issue of share capital	5	252	–	–	–	–	–	257
Utilisation of derivative instruments	–	–	–	–	(168)	–	–	(168)
Payment of dividends (note 12)	–	–	–	–	–	–	(1,481)	(1,481)
<b>Balance as at 30 June 2008</b>	<b>351</b>	<b>10,871</b>	<b>(33)</b>	<b>483</b>	<b>–</b>	<b>758</b>	<b>11,692</b>	<b>24,122</b>

1. Exchange differences on translation of overseas operations.

2. IFRS 2 Charge for fair value of share options.

3. Gains and losses recognised on cash flow hedges.

4. Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS12.

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## 29. Reconciliation of movements in equity continued

### Company

	Share capital £000	Share premium £000	Share-based compensation reserve <sup>1</sup> £000	Hedging reserve <sup>2</sup> £000	Deferred tax reserve <sup>3</sup> £000	Retained earnings £000	Total £000
Balance as at 1 July 2006	345	10,573	89	–	286	3,663	14,956
Share-based compensation	–	–	162	–	–	–	162
Deferred tax on outstanding share options	–	–	–	–	(30)	–	(30)
Profit for the year	–	–	–	–	–	3,687	3,687
Total income and expense for the year	–	–	162	–	(30)	3,687	3,819
Issue of share capital	1	46	–	–	–	–	47
Movement on hedging reserve for the adoption of hedge accounting	–	–	–	168	–	–	168
Payment of dividends (note 12)	–	–	–	–	–	(968)	(968)
Receipt of dividends	–	–	–	–	–	272	272
Balance as at 30 June 2007	346	10,619	251	168	256	6,654	18,294
Share-based compensation	–	–	193	–	–	–	193
Deferred tax on outstanding share options	–	–	–	–	502	–	502
Profit for the year	–	–	–	–	–	5,126	5,126
Total income and expense for the year	–	–	193	–	502	5,126	5,821
Issue of share capital	5	252	–	–	–	–	257
Utilisation of derivative instruments	–	–	–	(168)	–	–	(168)
Payment of dividends (note 12)	–	–	–	–	–	(1,481)	(1,481)
Receipt of dividends	–	–	–	–	–	403	403
<b>Balance as at 30 June 2008</b>	<b>351</b>	<b>10,871</b>	<b>444</b>	<b>–</b>	<b>758</b>	<b>10,702</b>	<b>23,126</b>

1. IFRS 2 Charge for fair value of share options.

2. Gains and losses recognised on cash flow hedges.

3. Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS12.

## 30. Explanation of the transition to IFRS

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 30 June 2007 and the date of transition to IFRS was therefore 1 July 2006.

The principal impact of IFRS on these financial statements has been in relation to the following:

### a. The scope of IAS 32 and IAS 39, Financial Instruments: Presentation and Financial Instruments: Recognition and measurement respectively

IAS 32 and IAS 39 require the company to recognise derivative financial instruments at their fair value on the balance sheet (under UK GAAP, these were off balance sheet items). There may also be a corresponding hedging reserve within equity on the balance sheet if hedge accounting is applied.

The Group designates foreign exchange contracts as cash flow hedges and has implemented hedge accounting.

### b. The scope of IAS 12: Income taxes

Under IAS 12, a deferred tax asset arises on the unexercised share options issued to employees. Under UK GAAP the tax charge is only recognised in the income statement when the tax becomes payable.

### 30. Explanation of the transition to IFRS continued

#### Reconciliation of income statement for the year ended 30 June 2007

##### Group

	Notes	UK GAAP £000	IFRS adjustment £000	IFRS £000
Revenue		24,519	–	24,519
Cost of Sales		(10,020)	–	(10,020)
Gross Profit		14,499	–	14,499
Administration and management expenses excluding share based compensation charge	a	(7,422)	(168)	(7,590)
Share based compensation charge		(142)		(142)
Total management and administration expenses		(7,564)	(168)	(7,732)
Research and Development expenses excluding share based compensation charge		(1,709)	–	(1,709)
Share based compensation charge		(20)	–	(20)
Total research and development expenses		(1,729)	–	(1,729)
<b>Operating profit</b>		5,206	(168)	5,038
Investment revenue		495	–	495
<b>Profit before taxation</b>		5,701	(168)	5,533
Tax	b	(1,554)	82	(1,472)
<b>Profit for the period from continuing operations</b>		4,147	(86)	4,061

#### Reconciliation of equity as at 1 July 2006 and 30 June 2007

	Notes	1/7/06	30/6/07
Total Equity under UK GAAP		15,067	18,427
Loss/gains arising on derivatives in a designated cash flow hedge	a	118	204
Loss/gains arising on deferred tax on outstanding options	b	290	256
Total Equity under IFRS		15,475	18,887

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## 30. Explanation of the transition to IFRS continued Reconciliation of balance sheet presentation at 1 July 2006 Group

	Notes	UK GAAP £000	IFRS adjustment £000	IFRS £000
<b>Non-current assets</b>				
Intangible assets		77	–	77
Property, plant and equipment		1,094	–	1,094
		1,171	–	1,171
<b>Current assets</b>				
Inventories		2,358	–	2,358
Trade and other receivables		2,762	–	2,762
Cash and cash equivalents		11,884	–	11,884
Derivative financial instruments	a	–	169	169
		17,004	169	17,173
<b>Current liabilities</b>				
Trade and other payables		(2,461)	–	(2,461)
Current tax liabilities	a	(562)	(51)	(613)
		(3,023)	(51)	(3,074)
<b>Net current assets</b>		13,981	118	14,099
<b>Total assets less current liabilities</b>		15,152	118	15,270
<b>Non-current liabilities</b>				
Deferred tax liabilities	b	(85)	290	205
<b>Net assets</b>		15,067	408	15,475
<b>Equity</b>				
Share capital		345	–	345
Share premium account		10,573	–	10,573
Translation reserve		89	–	89
Share based compensation reserve		(8)	–	(8)
Retained earnings	a,b	4,068	408	4,476
<b>Total equity</b>		15,067	408	15,475

### 30. Explanation of the transition to IFRS continued

#### Reconciliation of balance sheet presentation at 1 July 2006

##### Company

	Notes	UK GAAP £000	IFRS adjustment £000	IFRS £000
<b>Non-current assets</b>				
Intangible assets		77	–	77
Property, plant and equipment		901	–	901
Investments		16		16
		994	–	994
<b>Current assets</b>				
Inventories		2,348	–	2,348
Trade and other receivables		2,676	–	2,676
Cash and cash equivalents		11,312		11,312
Derivative financial instruments	a	–	169	169
		16,336	169	16,505
<b>Current liabilities</b>				
Trade and other payables		(2,294)	–	(2,294)
Current tax liabilities	a	(411)	(51)	(462)
		(2,705)	(51)	(2,756)
<b>Net current assets</b>		13,631	118	13,749
<b>Total assets less current liabilities</b>		14,625	118	14,743
<b>Non-current liabilities</b>				
Deferred tax liabilities	b	(77)	290	213
<b>Net assets</b>		14,548	408	14,956
<b>Equity</b>				
Share capital		345	–	345
Share premium account		10,573	–	10,573
Share based compensation reserve		89	–	89
Retained earnings	a,b	3,541	408	3,949
<b>Total equity</b>		14,548	408	14,956

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## 30. Explanation of the transition to IFRS continued Reconciliation of balance sheet presentation at 30 June 2007

### Group

	Notes	UK GAAP £000	IFRS adjustment £000	IFRS £000
<b>Non-current assets</b>				
Intangible assets		1,691	–	1,691
Property, plant and equipment		2,832	–	2,832
		4,523	–	4,523
<b>Current assets</b>				
Inventories		3,102	–	3,102
Trade and other receivables		4,327	–	4,327
Cash and cash equivalents	a	10,709	–	10,709
Derivative financial instruments		–	168	168
		18,138	168	18,306
<b>Current liabilities</b>				
Trade and other payables		(3,404)	36	(3,368)
		(3,404)	36	(3,368)
<b>Net current assets</b>				
		14,734	204	14,938
<b>Total assets less current liabilities</b>				
		19,257	204	19,461
<b>Non-current liabilities</b>				
Deferred creditor		(386)	–	(386)
Deferred tax liabilities	b	(444)	256	(188)
<b>Net assets</b>				
		18,427	460	18,887
<b>Equity</b>				
Share capital		346	–	346
Share premium account		10,619	–	10,619
Translation reserve		(36)	–	(36)
Share based compensation reserve		251	–	251
Deferred tax reserve	b	–	256	256
Hedging reserve	a	–	168	168
Retained earnings	a	7,247	36	7,283
<b>Total equity</b>				
		18,427	460	18,887



### 30. Explanation of the transition to IFRS continued Reconciliation of balance sheet presentation at 30 June 2007

#### Company

	Notes	UK GAAP £000	IFRS adjustment £000	IFRS £000
<b>Non-current assets</b>				
Intangible assets		1,691	–	1,691
Property, plant and equipment		2,459	–	2,459
Investments		16	–	16
		4,166	–	4,166
<b>Current assets</b>				
Inventories		3,089	–	3,089
Trade and other receivables		4,572	–	4,572
Cash and cash equivalents		10,055	–	10,055
Derivative financial instruments	a		168	168
		17,716	168	17,884
<b>Current liabilities</b>				
Trade and other payables		(2,939)	–	(2,939)
Current tax liabilities	a	(279)	36	(243)
		(3,218)	36	(3,182)
<b>Net current assets</b>				
		14,498	204	14,702
<b>Total assets less current liabilities</b>				
		18,664	204	18,868
<b>Non-current liabilities</b>				
Deferred creditor		(188)	–	(188)
Deferred tax liabilities	b	(642)	256	(386)
<b>Net assets</b>				
		17,834	460	18,294
<b>Equity</b>				
Share capital		346	–	346
Share premium account		10,619	–	10,619
Share based compensation reserve		251	–	251
Deferred tax reserve	b	–	256	256
Hedging reserve	a	–	168	168
Retained earnings	a	6,618	36	6,654
<b>Total equity</b>				
		17,834	460	18,294

#### Explanation of material adjustments to the cash flow statement for 2007

Cash held on short term deposits is included in cash and cash equivalents under IFRS. Under previous GAAP, these amounts were excluded from the cash flow statement. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under previous GAAP.





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