Abcam plc Annual Report and Accounts 2011

abcam®
discover more

Delivering continued growth

Performance highlights

- Revenue increased by 17.1% to £83.3m (2010: £71.1m)
- Pre-tax profits increased by 25.1% to £32.3m (2010: £25.8m) before costs of £0.2m (2010: £nil) associated with the acquisition of MitoSciences Inc
- Product range grew by 16.9% to 73,652 antibodies and related products (2010: 63,010)
- Sales of non-primary antibody products increased by over 50% and represented 8.5% of sales (2010: 6.4%)
- Completed the acquisition of MitoSciences Inc in May 2011, a leading provider of mitochondrial research tools, based in Oregon, USA
- Strong focus on addition of product characterisation data during the year, with a doubling of images added by the in-house production facility or specifically commissioned from third parties
- Net cash and short-term investments at 30 June 2011 of £55.6m (2010: £40.2m)
- Basic earnings per share (EPS) increased by 23.0% to 13.23 pence per share (2010: 10.76 pence*)
- Recommended final dividend increased by 30.0% to 3.800 pence per share (2010: 2.922 pence*), giving a total increase in dividend for the year of 31.1% to 5.250 pence (2010: 4.006 pence*)

* As adjusted for five for one share sub-division which took place on 15 November 2010.

83.3
Revenue (£m)

32.1
Profit before tax (£m)

13.23
Earnings per share (pence)

Contents

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How we're delivering

Abcam was established 13 years ago with the mission to build the largest catalogue of the best antibodies in the world.

Our eCommerce platform has revolutionised the buying of antibodies and we are now a market leader in this space distributing to more than 88 countries worldwide. Moving forward, we will build on this success as we expand our product range into the broader market of protein research tools.

Our customers are research scientists who need high performance products with detailed technical specifications. Our information-rich products, together with expert customer support and fast delivery continues to make us the researcher's choice.

How we're adding product features

Our focus now is on building on this success as we expand our product range into the broader market of protein research tools.

Throughout this report Abcam employees explain some of our current key initiatives...

How we're improving

Overview
Business review
Governance
Financial statements

What we've achieved

Abcam has become the market leader in research antibodies through its commitment to product quality and associated data, constant innovation in its operational efficiency and dedication to customer support.

Nurturing employee excellence has been a key factor in achieving this and we currently boast a team of more than 50 in-house PhDs.

Our business model relies on the following key elements:

- √ high quality products
- √ secure supply strategy
- √ rapid global delivery
- √ proven eCommerce model
- √ strong brand and customer base

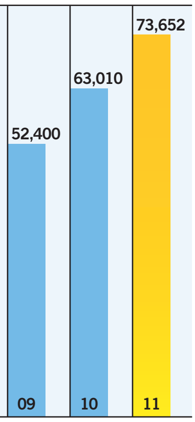
www.abcam.com

Key Performance Indicators (KPIs) as at 30 June

Number of products in catalogue

73,652

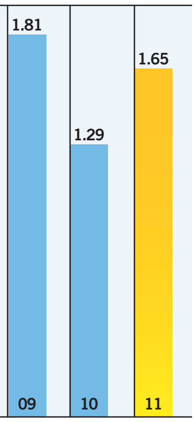
We constantly add new products from a variety of suppliers as well as those developed in-house, to bring our customers the best products available, regardless of source.



Website response time (seconds)

1.65

We aim to achieve a website response time of less than two seconds on average across abcam.com globally. The increase this year was due to a recalibration of the calculation in order to better reflect the end-user experience.



SUPPORTING THE SCIENTIFIC COMMUNITY

Our close links with the scientific community mean we are able to keep in touch with research trends and source products that support these developments.

Scientific expertise

In addition to our own team of scientists, we work with a range of industry-leading scientific partners to offer an unrivalled set of data and multi-media technical resources, including a yearly programme of world-class conferences.

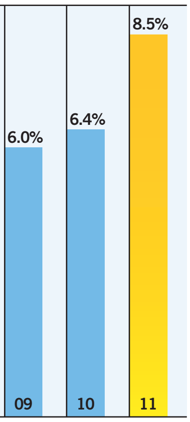
Enhanced services

To further our support offering, this year we increased the length of our product guarantee from 120 days to six months, improved order cut-off times and extended technical support hours in key regions giving greater flexibility to customers globally.

Sales of non-primary antibody products as a % of total sales

8.5%

We are seeing a good take-up of our growing range of non-primary antibody products, such as secondary antibodies, kits, proteins, peptides and lysates.

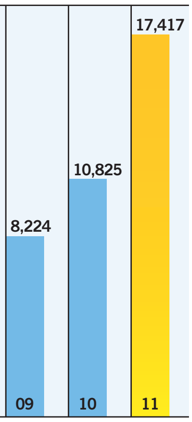


Number of publications referencing Abcam products[1]

17,417

Supporting data such as references, images and reviews are crucial for our customers to find the right product, so we actively seek publication references and add these to our product data sheets.

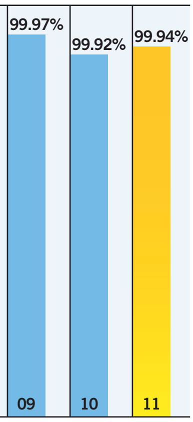
[1] Source: PubMed Central (www.ncbi.nlm.nih.gov/pmc).



Website uptime

99.94%

Downtime in 2011 amounted to 285 minutes, of which 233 minutes occurred in one ISP outage. The disaster recovery website has been isolated from the main public website so that future loss of connectivity of our web host is less likely to result in website downtime.

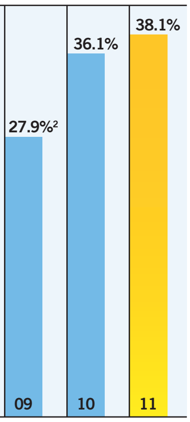


Operating profit to revenue

38.1%

Continued tight management of costs has enabled us to further improve operating margins.

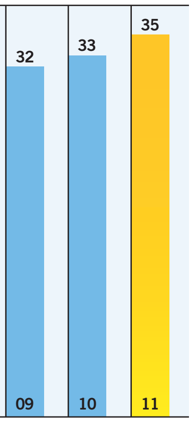
[2] Including £1.1m impairment of tangible assets associated with the higher volume production processes which will not be implemented.



Number of debtor days at year end

35

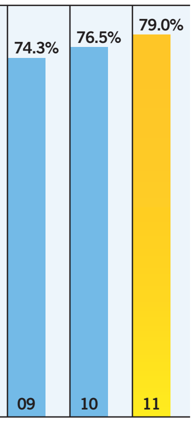
We expect debtor days to increase gradually over time in line with practice in local markets as the geographic spread of sales widens, whilst maintaining our tight credit control processes.



Orders fulfilled directly from stock (average for year)

79.0%

Having units in stock available for immediate shipment is a key component in our objective to improve delivery times for customers.



DISTRIBUTING INTERNATIONALLY

The speed with which we are able to bring products to market and deliver them to customers is one of our core strengths.

Our customers

We have developed an international customer base and ship to over 88 countries. We continue to explore distribution channels to attract new customers and extend our global reach. Our operational model allows us to offer next day delivery in most regions.

Our suppliers

We manufacture our own products in two specialist facilities, as well as sourcing from over 300 partners. This way we are able to offer scientists the newest and best research tools available globally regardless of source.

Our offices

Our five regional offices and distributor network mean we have global reach and can provide a localised service offering. Abcam is headquartered in Cambridge (UK) with US offices in Cambridge (MA) and Eugene (OR) and Far East offices in Tokyo and Hong Kong.

Overview
Business review
Governance
Financial statements

What's next

Abcam's mission is to become the leading provider of protein research tools.

The next phase of growth will come from our continued focus on core markets and customers, expanding our product offering and strengthening our geographic penetration.

Our key objectives are to:

- Continue to add new and high quality primary antibodies to the catalogue
- Increase our range of non-primary antibody products such as proteins, peptides, immunoassays and kits
- Use our eCommerce model and distributor network to expand market reach in key regions

We will achieve these through:

- Proven supplier management strategy with effective cost control
- Sound market intelligence to make informed decisions on new product opportunities
- Developing the Abcam brand beyond antibodies

p08 Turn to the Business Review to find out more

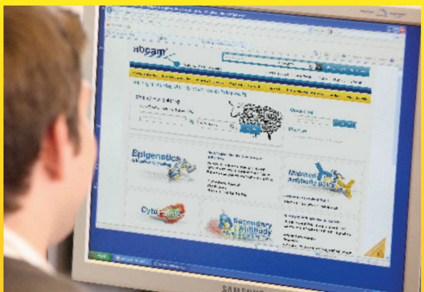
Some near-term activities...

Support

Increasing localised customer support through virtual and regional offices.

Efficiency

Continued investment in the operational model to support non-primary antibody products.

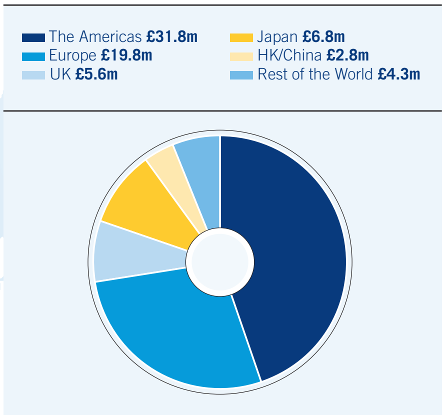


Information

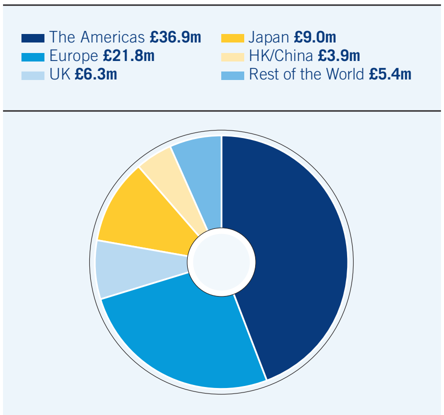
Modernising the website to reflect our product offering beyond antibodies.

Geographic markets in focus

Percentage of sales in 2010



Percentage of sales in 2011



A focus on China

China has seen strong growth since a local office was established in 2009. The number of sub-dealers has increased to 16 who now support 12 provinces, giving better geographical coverage in key regions. Our import/export processes have been streamlined, reducing delivery times to customers by over a week and the office will shortly move to a new 2500 sq ft facility giving better storage and handling of new products, as well as accommodating a growing number of local support staff.

"We now have distributor agreements in the key cities in Hong Kong and China reflecting the major centres for life science research. Our focus now is to build on these relationships and improve customer service, such as increasing marketing collateral available in Mandarin."

Jonathan Milner Chief Executive Officer

Supporting our long-term strategy

Abcam's focus on giving customers the widest choice of antibody research tools has created a very successful business which has been able to consistently and sustainably generate significant value for all its stakeholders.

> Continually adding high quality products to our catalogue and increasing validation of our existing products with a rigorous focus on data gathering and presentation.

> Providing high levels of customer service and support, increasing local language offering and extending phone line opening hours.

> Continually driving business improvement by optimising efficiency and scalability of internal processes.

> Investing to drive long-term growth, whilst maintaining tight cost control.

Chairman's report

Mike Redmond Chairman

"Abcam has performed well in the financial year ended 30 June 2011, and we were particularly encouraged to see such strong growth in the Far East."

IN SUMMARY

> We have recommended an increase in the total annual dividend by 31.1%, subject to approval by shareholders at the AGM.

> To ensure continued high growth, our strategy is evolving to extend our product offerings into the broader market of protein research tools.

> With our extensive market presence and adaptable distribution platform, we are ideally placed to build on our success.

> I thank Tim Dye and Mark Webster, who have decided to step down from the Board after the AGM, for the tremendous contribution they have each made to Abcam's success.

> We look forward to welcoming Tony Martin to the Board as a Non-Executive Director later this month.

abcamplc.com/reports

Introduction

Abcam has performed well in the financial year ended 30 June 2011 against a background of uncertainty in our core market and we have continued to make significant strides in pursuit of our strategic objectives. We continue to take market share in our core primary antibody business and have further broadened our range of other reagents involved in protein research, not least through the acquisition of MitoSciences. With our extensive market presence and adaptable distribution platform, we are ideally placed to build on this success.

Strategy and outlook

A significant proportion of our customers are universities and other centres of research excellence which rely on government funding. For several years we have expressed caution that the way in which Western governments adjust their spending patterns may affect our business. It has become apparent during the year that it is not only actual reductions that have an impact on researchers' spending, but the threat of cuts can be sufficient to cause a reaction as well. As noted in our interim report, we saw this in the UK earlier in the year, and we have seen a similar effect in the US more recently as a result of the protracted discussions on addressing their economic situation.

Elsewhere, areas of Europe have been impacted to a lesser degree and we are encouraged to see that China continues to show strong growth. Performance in Japan has also remained strong, despite the disruption caused by the earthquake and subsequent tsunami. This validates our continued focus on international expansion to progressively reduce our exposure to any one region.

Decisions have been taken recently by governments such as in the US, to reduce their funding for research and others may follow. Whilst this will present challenges for our business there is little experience to draw on as to what its impact may be on our growth. The strength of our business model, which enables us to make rapid additions to the catalogue and deliver high quality products, has allowed us to gain market share and grow strongly even when increases in funding budgets have been modest. For example, in the US the National Institutes of Health (NIH) budget increased by a compound annual average of around 2% between 2005 and 2010 (excluding the stimulus to the US economy during 2009/10 from the American Recovery and Reinvestment Act 2009 (ARRA)), during which time Abcam's sales in the US grew by a compound annual rate of almost 29%. We also have a degree of defensibility as sellers of consumables rather than large ticket items, which are more likely to be affected.

Trading in the new financial year reflects the market conditions above, however, revenue growth continues and profits are on track to meet consensus market expectations.

As explained in more detail in the Chief Executive Officer's Review, the Board is implementing a strategy of extending our product offerings into fields adjacent to antibodies, under the wider umbrella of protein research tools. These additional

21%

increase in visits to our website

360,000+

units shipped during the year

areas will be accessed by OEM deals and where appropriate by acquisition, such was the case with MitoSciences, which brings both new products and a development capability. We believe that these strategies will ensure that Abcam in the long term continues to grow faster than the markets in which it operates.

Corporate governance

Abcam values corporate governance highly and this is reflected in our governance principles, policies and practices. The Board believes that effective corporate governance will assist in the delivery of our corporate strategy, the generation of shareholder value and the safeguarding of shareholders' long-term interests. We are committed therefore, wherever it is reasonably practicable, to ensure that the Group is managed in accordance with the principles set out in the UK Corporate Governance Code, as appropriate to the Group considering its size and stage of development.

Directors

After helping to guide Abcam through a period of rapid growth over the last five years, Tim Dye and Mark Webster have both decided to step down from the Board after next month's Annual General Meeting (AGM). Consequently, the opportunity has been taken to review the balance of financial, sector specific and general business skills represented on the Board and I am very pleased to announce that Tony Martin, who has wide life science research tools experience, will be joining as a Non-Executive Director later this month. We have also identified that the Company would benefit from the appointment of a Non-Executive Director with broad eCommerce experience and we hope to be able to announce another appointment soon.

I would like to take this opportunity to thank Tim and Mark for the tremendous contribution they have each made to Abcam's success.

Dividends

The Board announced in the Company's interim results its intention to increase the dividend distribution ratio to 40% of post-tax profit, in light of the strong cash flow and continued success of the Group. An interim dividend of 1.45 pence per share was paid in April 2011 and consequently the Directors are recommending a final dividend of 3.80 pence per share, making a total of 5.25 pence for the year, an increase of 31.1% on that paid last year. Subject to shareholder approval at the AGM in October, the final dividend will be paid on 25 November 2011 to shareholders on the register on 4 November 2011.

Stakeholders

Once again I would like to extend my thanks to our staff on which Abcam's success is built and offer a warm welcome to the Group to the employees of MitoSciences.

We would also like to thank all our other stakeholders – customers, suppliers and shareholders – whose continued support also contributes to our success.

Mike Redmond
Chairman
12 September 2011

Investing in talent

Our people are our biggest asset and investment in the learning and development of staff continues to be significant. This year we implemented a Management Framework training programme to develop leadership skills in the business. We conduct an annual staff survey and are delighted to have over 96% participation.

Business review

We deliver

We are delighted to report on another outstanding year for Abcam. We continue to deliver sustained growth across the entire portfolio, achieving a 17.1% increase in revenue this year. In addition we have also delivered significant progress with the introduction of our new product ranges.

"This year we've been working on developing processes for handling new products which can have different storage and shipping conditions. We've also been reviewing packaging solutions for new products to achieve the same flexibility as our building blocks, which are very popular with customers."

Jon Barrett, Goods Out Supervisor

Business review: Chief Executive Officer's review

Jonathan Milner Chief Executive Officer

"Our aim is to continue to build on our success within the primary antibody market, whilst using our established market reach and distribution platform to achieve strong growth in related life science tools markets."

IN SUMMARY

- Organic revenue growth of 16.9%, with non-primary antibody products now representing 8.5% of total sales.
- Successful acquisition and integration of MitoSciences, with over 200 products added to our catalogue within six weeks of acquisition.
- 10,642 products added to the catalogue in the year, generating £2.8m of sales.
- Redesign of the public website homepage to support more product ranges and better identify and present cross-selling opportunities.
- Increase of over 100% in the number of images added to the data in our catalogue.
- Continue to focus on geographic expansion in markets where government research funding is increasing and on building out the extended catalogue both organically and perhaps through M&A activity.

I am delighted to report on another successful year for Abcam. Total sales for the year were £83.3m (2010: £71.1m), including £0.2m from our new subsidiary MitoSciences, which was acquired on 23 May 2011. This represents organic growth of 16.9%, or 16.8% on a constant currency basis, assuming exchange rates had been the same as those recorded throughout the prior year.

Our strategy is to deliver profitable growth by:

- introducing high quality products to our catalogue to continue to enhance the breadth of the product range, as well as increasing our range of primary antibodies;
- continuing to increase the validation information on the products in the catalogue from as many relevant sources as possible;
- extending our geographic penetration; and
- further improving our customer service and support.

During the year we have made significant progress on all these fronts. Our aim is to continue to build on our success within the

"Since launching a new range of Apoptosis Assay kits we achieved 25% uplift in sales over the year. These kits quickly and easily measure activity by metabolic analyte and are used by scientists predominantly working in cancer research. Abcam is already well positioned to serve researchers in this area so it's easier for us to bring new products to market through our existing customer base."

Gus Mzumara, Reagents Product Manager

3000+

non-primary antibody products added to our catalogue

Continued growth: what we're doing

Introducing new products to complement our existing range

This year we added more than 3000 non-primary antibody products to the catalogue and have successfully launched a number of new product ranges.

Through our proven OEM model, we are able to source popular research tools that complement our existing catalogue and consolidate products into distinct ranges for easy use by researchers. Customer adoption rates to new products have been high; utilising existing marketing channels and our geographic reach we were able to grow sales of non-primary antibody products by over 50% over the year.

Our target going forward is to increase sales of non-primary antibodies so they represent over 10% of overall sales.

primary antibody market, whilst using our established market reach and powerful distribution platform to achieve strong growth in related life science tools markets.

The drive for efficiency improvements is core to the way we operate and, despite increasing the proportion of non-antibody products that we handle, we were able to take advantage of the operational gearing in the business to increase profit before tax by 25.1% to £32.3m (2010: £25.8m) before costs of £0.2m associated with the acquisition of MitoSciences. EPS increased by 23.0% to 13.23 pence (2010: 10.76 pence).

Market review

Figure 1 overleaf outlines the revenues derived from each region in Sterling, as well as underlying currencies, giving year on year growth rates.

Sales in The Americas grew by 16.0% to $58.3m (2010: $50.2m), representing 44.2% of our total sales for the year. After an unusually strong first half of our fiscal year we have seen more cautious spending amongst academic researchers which reduced growth in the second half. A large proportion of US research funding is provided by the NIH and we believe that this caution was caused by uncertainty surrounding the outcome of central government negotiations on the setting of the NIH budget.

The relationship between US funding and its impact on Abcam's sales is complex and we have grown for many years significantly ahead of NIH's budget levels, increases in which have been modest. Furthermore, as a provider of research tool consumables, Abcam can expect to be less affected by reductions in the NIH budget than, for example, those companies supplying more expensive laboratory equipment.

The total budget for life science NIH research was around $30.3bn in the calendar year 2009, $31.2bn in 2010 and is estimated to be $30.9bn in 2011. The outlook for NIH funding thereafter is likely to be caught up in budget reviews by the recently established Joint Select Committee on Deficit Reduction, which is charged with substantially reducing the US deficit over the next ten years.

Overview
Business review
Governance
Financial statements

Business review continued: Chief Executive Officer's review

These figures exclude the ARRA stimulus to the US economy during 2009/10, which provided around $10.4bn to NIH funding. It is difficult to determine whether, or to what extent, Abcam's sales increased as a consequence of ARRA, although it is possible given that grants typically run for two to three years, that some of these funds are still being spent.

As well as adding new high quality products and a proven assay development capability, the acquisition of MitoSciences will also enable us to consolidate our customer service and technical support functions on the West Coast in Eugene, Oregon. Based on our earlier success we will, however, retain our marketing presence in California.

Sales to Europe grew by 13.3% to €25.5m (2010: €22.5m), representing 26.3% of our total sales for the year. Our main European markets continue to be Germany and France, both of which performed satisfactorily. The rest of Europe is made up of a number of smaller markets, many of which also performed acceptably. A notable exception is Italy where a combination of new administrative requirements and disappointing local distributor performance, which has since been addressed, led to a reduction in year on year sales of 9.8%. Our focus remains on providing high levels of customer support, including in local language for the larger European countries if there is sufficient potential in the market to justify it. During the year we added customer support in Spanish.

We had a successful year in the UK where uncertainty caused by the government's spending review negatively impacted on sales in the first half of the year. Sales growth subsequently improved in the second half to give total sales for the year of £6.3m (2010: £5.6m), representing growth of 10.8%. The UK accounted for 7.5% of total Group sales.

Our business in Japan has been remarkably robust in the face of the adversities caused by the earthquake and tsunami which hit the country in March. This is due in no small part to the dedicated and steadfast way our staff performed during very difficult times. The directly affected area in the North of the country represented around 5% of our Japanese business but, despite widespread disruption, we were trading again with the rest of the country within a few days. During the year we also increased the coverage of our overall product range which is available in Japan and are very happy to report sales growth of 20.4% to ¥1,183m (2010: ¥983m). This represented 10.8% of our total Group sales for the year.

In Hong Kong and China we now have distributor arrangements in the key cities that are the centres for life science research. Our focus now is to build on these relationships and to improve customer service. Initiatives undertaken during the year include increasing the marketing materials available in Mandarin and reorganising our logistics arrangements into China, allowing us to ship directly into Beijing and cut our delivery times to customers. We continue to expect China to be a strong growth prospect for us in the coming financial year and we have a number of options for better supporting sales in the region under consideration, including holding inventory in the region. Sales to China increased to HK$48.1m (2010: HK$34.3m), representing a growth rate of 40.1% and now accounting for 4.7% of Group sales.

Sales to the Rest of the World, predominantly the remainder of South East Asia, increased by 27.4% to $8.6m (2010: $6.8m), representing 6.5% of total sales for the year. Our local team based in Hong Kong is now managing our Asia Pacific business, which is mostly served through our distributor network. Whilst we have had some tremendous success such as in South Korea, trading in Singapore, which represents less than 1% of our total sales, has been more difficult, with little growth in the year due to government spending cuts.

All the regional sales figures above exclude sales of $0.3m made by MitoSciences, which was acquired in May this year. We are delighted to have acquired a company with skilled personnel in assay development capability and a product pipeline to build on its existing high quality mitochondrial research tools portfolio. The integration of the business has gone well and over 200 MitoSciences products went live in the Abcam catalogue at the beginning of July. I have personally met the MitoSciences team in Oregon and was extremely impressed; again I would like to take this opportunity to welcome them to Abcam and thank them for their continuing commitment to the Abcam mission.

Figure 1: Regional revenue

	Revenue in underlying currency			Revenue as reported in Sterling		
	2010/11	2009/10	% growth	2010/11	2009/10	2010/11 % of total*
The Americas	$58.3m	$50.2m	16.0%	£36.7m	£31.8m	44.2%
Europe (excluding UK)	€25.5m	€22.5m	13.3%	£21.8m	£19.8m	26.3%
UK	£6.3m	£5.6m	10.8%	£6.3m	£5.6m	7.5%
Japan	¥1,183m	¥983m	20.4%	£9.0m	£6.8m	10.8%
Hong Kong/China	HK$48.1m	HK$34.3m	40.1%	£3.9m	£2.8m	4.7%
Rest of the World	$8.6m	$6.8m	27.4%	£5.4m	£4.3m	6.5%
MitoSciences	$0.3m	n/a	n/a	£0.2m	n/a	—
				£83.3m	£71.1m	100.0%

* Excluding reveune from MitoSciences.

Continued growth: what we're doing

Focus on adding product data

A key differentiator for Abcam is the technical data that supports our products and a focus on adding value through product features continues to be a core element of the business strategy.

Working with our in-house laboratory, this year we implemented a rigorous product characterisation project that tested over 3,000 antibodies in a combination of applications such as Western blot and immunohistochemistry. To meet customer demand and market trends we will extend testing to include more applications, such as flow cytometry, which also complement our extended product offering.

"We are delighted at the rate we are able to test products and how quickly this new data becomes available on the website and impacts sales. Following the success of this project, we are implementing similar testing for new product types."

David Harvey, Senior Laboratory Technician

In addition to in-house testing, we are also able to characterise products through third party collaborations and we continue to work with our suppliers to ensure data is made available at the source.

1,317

images added to our portfolio during the year

Business review continued: Chief Executive Officer's review

Catalogue growth and diversification

We have increased the number of products in the catalogue by 16.9% during the year to 73,652, of which over 57,000 are primary antibodies. Of the 10,642 new products, 7,000 are primary antibodies from our supplier base and almost 500 were our own produced antibodies. In addition to adding over 1,500 secondary antibodies, we have continued to extend the breadth of antibody-related reagents we offer such as ELISA kits, IHC reagents, and proteins, the additions of which in the period totalled almost 1,600 products.

New products added during the year contributed £2.8m to sales in total, representing 3.4% of total sales. We expect sales of these products to grow as they mature on the catalogue and as information is added to them.

eCommerce and marketing

As our main sales tool, the performance of the website is key to our success and we have continued to invest to improve its security, accessibility and functionality. During the year we completed an exercise involving the relocation of our servers to a market-leading hosting facility in order to improve website scalability and resilience and to further reduce downtime.

We have also invested in the website specifically to promote non-primary antibody products more effectively, whilst also launching a record number of these products. Consequently we have seen an increase in data sheet viewings for non-primary antibody products of over 60% in the year. Indeed, the transitioning from 'the largest catalogue of the best antibodies in the world' to a company with the potential to become a world leader in all protein research tools is underway as can be seen in changes to the public website where the homepage has been redesigned to support more product ranges and better identify and present cross-selling opportunities.

Our conference programme continues to attract the key leaders in the fields with 200 key opinion leaders presenting cutting edge discoveries to over 2,000 delegates. In total we held 18 conferences in 13 locations across all our core focus areas. Of particular note was our first

Continued growth: what we're doing

Developing our business through communication

Sound market intelligence and customer insight remain critically important to making well informed business decisions on new products and initiatives.

We have a dedicated market research team who conduct web and phone based surveys, as well as in-person customer interviews. In addition to monitoring customer satisfaction levels of products and services, this team examines the viability of new markets and monitors Abcam's core business. Information is shared across business units and we ensure customer feedback is acted upon.

A key strength is the speed with which we are able to identify and assess opportunities and implement business strategies.

"Secondary antibodies are a natural extension to the catalogue. To understand customer perception of products in this range and their purchasing behaviours, we worked with the market research team to identify opportunities. We have since sourced additional products to support the portfolio; these are already on the catalogue and selling well."

Annina Hube, CFA Marketing Coordinator

Customer satisfaction is measured continuously via phone and web surveys in key regions and we have the capability to conduct these in local languages.

92%

of customers rate Abcam's products as good or excellent

cancer and metabolism conference relevant for our MitoSciences range and our epigenetics conferences which have a reputation as second to none. New for the year was the introduction of a webinar series of online technical seminars and tutorials. They complement our traditional conference programme and both combined are highly effective tools in staying close to our customers to guide product development, improve our service offering and sell more products.

Our production facility

Having units in stock available for immediate shipment is a key component in our objective to improve delivery times for customers. To that end we have focused this year on a project to increase stock levels for our own produced antibodies, with the aim of holding sufficient levels to meet at least two years' worth of sales for a targeted list covering most of our own manufactured products. This aim is to reduce the risk of not having sufficient stock on hand to fulfil orders directly and also means that we can improve production efficiencies by being able to schedule production well in advance of the stock being required. The project has gone well and is expected to be completed during the 2011/12 financial year.

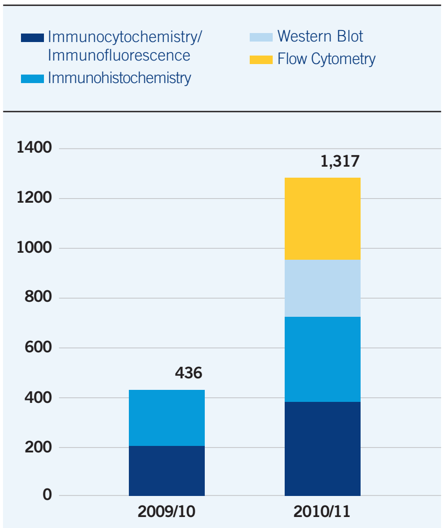
Production in the year was again at record levels and improvements to our processes saw better project success rates and yields, resulting in lower unit costs. In particular we have also introduced new innovative screening technology which has been applied very successfully to the production of antibodies, particularly those which have historically been harder to make.

The facility is also heavily involved in our strategy of adding data to the catalogue from a range of sources. In the year under review the number of images added by the facility or specifically commissioned from third parties increased by over 100%, thanks to a major focus on increasing our in-house capability.

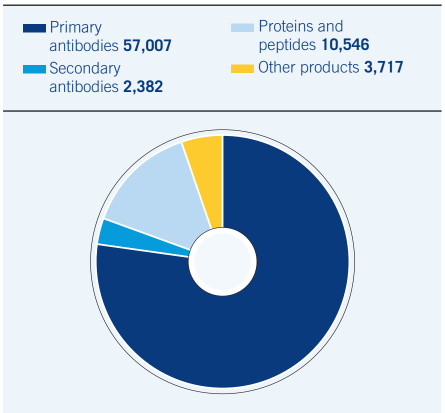
Efficiency initiatives

We continue to drive for more efficiency in the business and this year was no exception. We are investing in two new Compound machines to enable us to increase our

Images added in the year, by application



Distribution of products on the catalogue



abcamplc.com/reports

Business review continued: Chief Executive Officer's review

Continued growth: what we're doing

Acquisition of MitoSciences

This year Abcam acquired MitoSciences, a leading provider of mitochondrial research tools based in Eugene, USA. Their 200 products include high performance monoclonal antibodies and related products for use in metabolism research, which complements Abcam's existing product range and customer base in this area.

MitoSciences has heavily invested in R&D and is known for high quality, easy to use and sophisticated assay products. The acquisition extends Abcam's manufacturing and product development capabilities and supports our brand repositioning beyond antibodies.

Combined with Abcam's existing product range and global market reach, together we are a leading provider of tools for metabolism research worldwide.

"The integration of MitoSciences has been smooth, from both an internal systems perspective and customer experience. Products were available via our website within six weeks. We share the same values of product quality and customer support excellence which has also made transitioning easy."

Elodie Giuge, Corporate Projects Manager

"The MitoSciences team is delighted with the level of integration we have been able to achieve in such a short time. As well as aligning our systems and strategy, we have worked to promote effective communication between offices. We all look forward to a very successful future ahead."

John Audette, General Manager, MitoSciences

product handling capacity, one each in the UK and the US. One of these was delivered, installed and commissioned before the year end, and the other will be brought into use early in 2011/12. Together, these machines almost double our minus 20 degree storage capacity, the temperature at which the majority of our finished goods are held.

It has taken many years of process improvement to achieve the high levels of efficiency at which we operate our primary antibody business. The introduction of more new products to the catalogue presents challenges to which we are applying many of the techniques we have developed over time, to limit any adverse impact on overall efficiency.

Strategic development

We believe that Abcam has the right strategy and positioning in the market to develop its world-leading antibody business into a broadly based global life science tools company, delivering sustainable value creation for researchers and shareholders. Our success to date has been built on promoting feedback to identify our customers' requirements and adapting our business to fulfil these in as efficient a way as possible, whilst offering the broadest range of the highest quality products, coupled with the best customer service and support. This approach is ongoing and we continue to improve our offering, for example, by extending our product performance guarantee this year from four to six months from delivery. We are proud of the fact that in feedback over 92% of our customers rate our service as good or excellent.

Our plan to build out from this position is already bearing fruit and non-primary antibody product sales grew by over 50% in the year, now representing 8.5% of total sales. These early successes in protein research products that sit alongside antibodies on the research bench are extremely encouraging and justify our faith in our expansion strategy. We are therefore excited about our prospects in building out the extended catalogue both organically through partnering and perhaps through M&A activity.

However, we should not be blind to the challenges that lie ahead. Over 80% of our sales are funded by public money, mainly through research grants, and we have seen cuts in public spending in order to reduce budget deficits, especially in the US and the UK, which will provide headwinds for Abcam in the short to medium term.

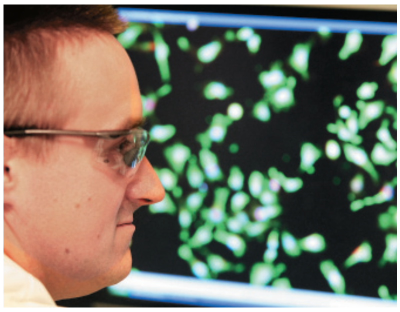
Although the world economic climate looks uncertain for the next few years, the fundamentals of the markets that Abcam serves remain the same. The inexorable rise in mankind's desire for knowledge about how cells function and how they go wrong in disease will continue to drive demand for high quality validated research tools. Abcam remains perfectly positioned to be able to meet that demand.

Abcam continues to focus on geographic expansion in markets where funding is increasing, such as China, and on selling a greater breadth of products required by our customers to carry out their protein research.

The commitment and excellence of Abcam's staff continually impresses and delights me. Again I would like to warmly thank all our staff worldwide for their commitment to Abcam's success both now and into the future.

Finally, we must never forget that our customers' continuous drive for discovery, and Abcam's enabling products, services and technologies that help facilitate that discovery, remain central to our past and future success. Our staff, together with our products, services and technologies, are central to achieving our goal of enabling our customers to discover more.

Jonathan Milner
Chief Executive Officer
12 September 2011



Overview
Business review
Governance
Financial statements

Business review continued: Financial review

Jeff Iliffe Chief Financial Officer

"The Group had another good year, recording revenues of £83.3m and an increase in total gross profit by 18.2% over the prior year. We were successful in effectively managing increases in our average selling prices, whilst controlling costs from suppliers and our own production costs."

IN SUMMARY

> Total revenue of £83.3m, driven by organic sales growth of 16.8% on a constant currency basis.

> Total gross profit increased by 18.2% over the prior year, giving a margin of 67.3%.

> Continued tight management of costs including in the purchase of OEM products, further improvements in production efficiency and the benefits of economies of scale.

> Basic EPS increased 23.0% to 13.23 pence (2010: 10.76 pence).

> Cash generation continues to be strong, with operating cash inflows of £25.5m, at 30.6% of Group revenue.

p50

View our complete financial statements

Key Performance Indicators (KPIs)

The Group's management uses KPIs to monitor the progress of the business. Our KPIs are detailed on pages 02 and 03.

Revenue

The Group had another good year, recording revenues of £83.3m. Before the sales contribution from MitoSciences of £0.2m ($0.3m), this represents growth of 16.9%. Sterling was relatively stronger overall in the second half of the year against the currencies in which we sell and this cancelled out the revenue boost which was reported in the first half. Consequently sales growth was 16.8% on a constant currency basis (i.e. if exchange rates for the foreign currencies in which the Group sells had remained unchanged from 2010).

The weighted average exchange rates applied to sales in the year are shown in Figure 2 below.

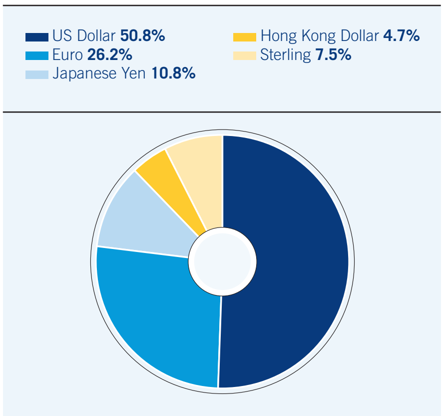
Gross margin

Total gross profit increased by 18.2% over the prior year. During the year we were successful in effectively managing increases in our average selling prices, whilst controlling costs from suppliers and our own production costs. Gross margins reported for the period were 67.3% (2010: 66.7%), which comprised an increase of 1.0% in underlying margin, which was partially offset by a year on year reduction of 0.4% from the impact of Product Line Acquisition (PLA) agreements. Going forward the effect of PLA contracts is expected to be minimal.

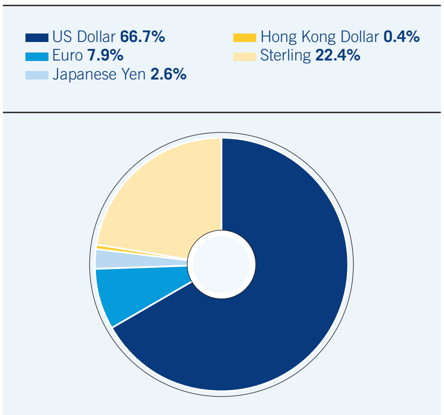
Figure 2: Analysis of average exchange rates applied to sales

	Average for the year		Average for H2	
	2010/11	2009/10	**2010/11**	2009/10
US Dollar	**1.588**	1.579	**1.619**	1.534
Euro	**1.168**	1.135	**1.152**	1.141
Japanese Yen	**131.528**	145.155	**131.788**	141.733
Hong Kong Dollar	**12.350**	12.282	**12.604**	11.957

Sales by currency



Cost of sales by currency



There was a positive impact on margin resulting from the weaker rates for the US Dollar, which was the transactional currency for 50.8% of sales in the year but for 66.7% of the costs of units sold in the year. This was matched by a reduction in margin from movements in our other trading currencies, to give an overall neutral effect on margins from exchange rates over the year.

The pie charts on the left show the contribution of each currency to revenue and cost of sales in 2010/11.

Administration and management expenses

Prior to the inclusion of foreign exchange gains of £0.8m (2010: £0.4m) and costs associated with the acquisition of MitoSciences of £0.2m (2010: £nil), administration and management expenses increased by £3.2m to £21.7m (2010: £18.5m), as summarised in Figure 3 below.

The underlying costs remained unchanged since the prior year as a percentage of sales, at 26.0%. The main movements in costs arose as a result of:

- an increase of £1.8m in salaries as a result of a 20% increase in average headcount (excluding laboratory staff and staff joining the Group from MitoSciences), in particular to increase staff resources in the Company's marketing and IT functions, with an emphasis on supporting new product areas, and in customer services;
- a 40% increase (£0.3m) in the share-based payments charge as a result of the increase in headcount and the extension of the Long-Term Incentive Plan to senior managers;
- a 55% increase (£0.5m) in marketing costs, a large proportion of which related to the launching of new products; and
- a charge of £0.3m (2010: £nil) relating to external due diligence and consultancy costs associated with a potential acquisition which did not proceed during the first half of the year.

Research and development expenditure

Research and development (R&D) expenditure relates to the development of new polyclonal and monoclonal products, as well as costs incurred in searching for and developing production process improvements.

R&D expenditure decreased by 12.7% in the year to £3.2m (2010: £3.7m). This reflects a significant exercise undertaken in the year to identify cost savings by renegotiating certain supply contracts, as well as fewer projects having been undertaken in the year. It is anticipated that R&D expenditure will remain at broadly the same level for the coming year.

Since the Company's R&D expenditure does not meet the requirements to be capitalised as an intangible asset, the costs are expensed through the income statement as incurred.

Figure 3: Summary of administrative and management expenses

	2010/11 £'000	2009/10 £'000	Increase
Payroll and staff costs	**10,900**	9,102	19.8%
Share-based payments charge	**985**	702	40.3%
Marketing costs	**1,460**	939	55.4%
Costs of acquisition which did not proceed	**302**	—	100.0%
Other operating costs	**8,039**	7,764	3.5%
Total underlying administration and management expenses	**21,686**	18,507	17.2%
% of sales	**26.0%**	26.0%	
Foreign exchange gains	**(799)**	(438)	82.7%
Costs of acquisition of MitoSciences	**202**	—	100.0%
	21,089	18,069	16.7%

Business review continued: Financial review

Enabling continued growth

We continue to invest in our facilities to enable the continuing growth of the Company. Projects for the upcoming year include the creation of a new goods-in/goods-out area in Cambridge, MA (USA) and the relocation of our Japanese and Hong Kong offices to larger premises.

Profit

After adding back the ongoing share-based payments charge, gains on foreign currencies and the costs of the MitoSciences acquisition, operating profit expressed as a percentage of sales was 38.7% (2010: 36.6%), including a broadly neutral impact of exchange rates. This strong performance reflects continued tight management of costs including in the purchase of OEM products, further improvements in production efficiency leading to lower costs for our own products, and the benefits of economies of scale. Going forward, the introduction of new products which are likely to have lower gross margins and be less efficient to handle, and more overseas expansion in lower margin territories such as the Far East, will limit the opportunity for further operational gearing.

Investment revenue increased in the year, reflecting the slightly higher rates available in the market and the growing cash balances.

Tax

The consolidated tax charge for the year was £8.3m representing an effective tax rate of 25.9%. This reflects the 75% uplift in tax credits, increasing to 100% uplift from 1 April 2011, arising from the qualifying R&D undertaken in the period, as well as the reduction in the main rate of corporation tax from 28% to 26% from 1 April 2011.

The government has announced that the R&D tax credit uplift will increase from 100% to 125% and the main rate of corporation tax will decrease from 26% to 25% from 1 April 2012, which we are expecting will serve to slightly reduce our Group effective tax rate for 2011/12.

Looking further ahead, we expect to no longer meet the government's definition of a small or medium sized enterprise for tax purposes from 2012/13 onwards, and will therefore only qualify for the R&D tax credit allowance for large companies, which is currently 30%. The effect of this on our Group effective tax rate will be partially offset by the 1% reductions in the main rate of corporation tax per annum, currently planned to reach 23% with effect from 1 April 2014.

Capital expenditure

Figure 4 below summarises the additions of property, plant and equipment in the year.

Additions of property, plant and equipment increased by 16.2% compared to the prior year, before accounting for those assets brought in as part of the MitoSciences acquisition. A new Compound machine was purchased within the year, costing £224,000, and another is planned for early 2011/12. As detailed in the Chief Executive Officer's Review, together these machines will almost double our minus 20 degree storage capacity, the temperature at which the majority of our finished goods are held.

We continue to invest in our facilities to enable the continuing growth of the Company and, therefore, anticipate that our capital expenditure in 2011/12 will increase to accommodate the following planned projects:

- the purchase of an additional Compound machine as outlined above;
- the redesign of our UK laboratory facility and expansion of the MitoSciences laboratory space to adequately accommodate planned production levels and other laboratory-based testing requirements;

Figure 4: Analysis of capital expenditure

	2010/11			
	Abcam underlying £'000	Acquisition of MitoSciences £'000	Total £'000	2009/10 £'000
Computer equipment	196	—	196	252
Laboratory equipment	554	128	682	321
Office equipment, fixtures and fittings	35	18	53	150
Hybridomas	96	—	96	35
	881	146	1,027	758

- the creation of a new goods-in/goods-out area in our Cambridge, MA (USA) office to enhance the capacity and efficiency of this area of operations;
- the relocation of each of our Japanese and Hong Kong offices to larger premises; and
- a continuing investment in the renewal of computer equipment.

Inventories

The level of inventories increased by 15.9% in the year, after deducting £0.2m held by MitoSciences. This is slightly below the growth in sales and reflects the strategy adopted during the year to increase the levels of own produced inventory to the equivalent of two years' sales for most lines, in order to provide better security of supply for customers and improve production efficiencies. This initiative is well under way and should be completed during the 2011/12 financial year.

Our systems enable strong inventory control and we intentionally increased inventory in the final quarter of 2009/10 to increase the percentage of orders which we can fulfil directly from stock, which has been maintained at over 79.0% for the year (2010: 76.5%). The success of this exercise means that we are planning to extend this further in the 2011/12 financial year.

In addition to growth broadly in line with sales, inventory levels are expected to increase over time as more products manufactured by MitoSciences are launched and once we have established a stock location in China, which is planned during the 2011/12 financial year.

Receivables

We have strong debtor control processes and exercise tight credit control. Debtor days at the year end were 35.0 (2010: 32.6). The majority of sales continue to be on credit and we would expect to see a gradual trend of increasing debtor days over time, in line with practice in local markets, as the geographic spread of sales widens.

Payables

Trade and other payables rose by 20.3% from £6.9m to £8.3m. This figure includes deferred income of £0.9m (2010: £1.3m), including £0.6m of the cash incentive of £1.1m received on entering into a new lease for the head office during 2009 (2010: £0.8m), which is to be credited to profit and loss over the life of the lease.

Figure 5: Summary of cash flow

	2010/11 £'000	2009/10 £'000
Cash and short-term deposits at beginning of year	**40,222**	25,501
Operating cash flows before movements in working capital	**34,446**	28,710
Working capital	**(1,593)**	(3,778)
Income taxes paid	**(7,370)**	(5,210)
Net cash inflow from operating activities	**25,483**	19,722
As a percentage of revenue	**30.6%**	27.7%
Investment income	**291**	176
Net capital expenditure, including intangibles	**(1,155)**	(815)
Net cash outflow on acquisition of MitoSciences	**(2,448)**	—
Dividends paid	**(7,876)**	(5,316)
Proceeds from issue of share capital	**891**	949
Effect of foreign exchange rate changes	**162**	5
Net cash inflow	**15,347**	14,721
Cash and short-term deposits at end of year	**55,569**	40,222

The main contributor to the total increase in payables over the prior year was trade payables, which increased by 38.3% to £3.5m (2010: £2.6m) due to the timing of payments to our suppliers around the year end.

Cash flow

A summary of the Group's cash flow during the year is shown in Figure 5 above.

The Group's cash generation continues to be strong, with operating cash inflows of £25.5m, at 30.6% of Group revenue. Consequently, after a net payment of £2.4m for the acquisition of MitoSciences (after adding back the cash acquired on acquisition of £0.1m), dividends amounting to £7.9m and other financing and investing activities, the Group's cash and short-term deposits increased during the year by £15.3m.

The short-term deposits are cash deposits held with major UK banks, which had a maturity date of over three months when the deposit was made.

EPS

Including costs of acquisition of £0.2m, diluted EPS increased by 23.5% to 12.98 pence (2010: 10.51 pence), whilst basic EPS also increased 23.0% to 13.23 pence (2010: 10.76 pence). The increase in basic and diluted EPS reflects the increase in profit, higher effective tax rate and increase in the weighted average number of shares issued during the year including 279,521 shares issued as partial consideration on the acquisition of MitoSciences.

Currency exposure

The Group continues to generate significant amounts of US Dollars, Euros and Japanese Yen in excess of payments in these currencies and has arrangements in place to reduce the exposure to currency fluctuations by selling forward a proportion of the surpluses generated. Details of these contracts are set out in note 25.

Jeff Iliffe
Chief Financial Officer
12 September 2011

Board of Directors

1. Mike Redmond

2. Jonathan Milner

3. Jeff Iliffe

4. Jim Warwick

p39

The Directors' Remuneration report

1. Mike Redmond Chairman

Date of appointment March 2009

Mike Redmond, who joined Abcam in March 2009, has substantial international experience in the pharmaceutical industry gained in both executive and non-executive capacities at businesses ranging from multinational organisations to start-up companies. He is currently chairman of Dechra Pharmaceuticals plc and his recent chairmanships include Synexus Clinical Research plc, Arakis Limited and Microscience Limited. His executive career began at Glaxo Group plc in 1967 and he has held senior executive positions in marketing and management at companies including Schering Plough Corporation and Fisons plc.

2. Jonathan Milner, PhD Chief Executive Officer

Date of appointment April 1998

Jonathan Milner is an experienced entrepreneur and business leader with a background in genetic research. He gained his doctorate in Molecular Genetics at Leicester University after graduating in Applied Biology at Bath University. From 1992 to 1995 he was a postdoctoral researcher at Bath University, following which he worked at the University of Cambridge in the laboratory of Professor Tony Kouzarides studying cancer, specifically the BRCA2 gene in hereditary breast cancer. Whilst in research he identified the market opportunity for supplying high quality antibodies to support protein interaction studies. In 1998, Jonathan founded Abcam with David Cleevely and Professor Tony Kouzarides, to supply the rapidly growing market for antibodies and related products. Jonathan is an active supporter of the Cambridge, UK business community. He is chairman of Cambridge Temperature Concepts Limited (CTC), a medical device company with a platform technology in wireless temperature sensing. Jonathan is also a non-executive director of Horizon Discovery, a personalised genomics company.

3. Jeff Iliffe, ACA Chief Financial Officer

Date of appointment November 2007

Jeff Iliffe is a qualified accountant who was appointed as Abcam's Chief Financial Officer in November 2007, having previously worked for the Company as a financial consultant. He has extensive relevant experience of the City, industry and internet-based business. Jeff was 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 Enviros Group Limited and the biotechnology company Plethora Solutions plc. Prior to joining Abcam, he was chief financial officer at the eCommerce company St Minver Ltd.

4. Jim Warwick, MA Chief Operating Officer

Date of appointment November 2000

Jim Warwick has an MA in Computer Science from the University of Cambridge. From 1986 to 2003 he worked for Analysys Limited, a Cambridge-based telecommunications consultancy, heading up its IT, software and web development initiatives. Jim joined Abcam in 2000 as Technical Director, focusing on the development of the website and the systems integral to support it, and took over operational management of the UK office as Managing Director in June 2004. In this capacity he worked on both cost-saving and efficiency improvement projects, including the bar-coding and automation of inventory handling within the Group. Jim is responsible for overseeing the operational strategy of the business and, in particular, ensuring the continued scalability and efficiency of the Company. In 2009, Jim took on the role of Chief Operating Officer, with operational responsibility for the Group as a whole.

5. Tim Dye

6. Peter Keen

7. Tony Kouzarides

8. Mark Webster

5. Tim Dye, MA Non-Executive Director

Date of appointment May 2006

Tim Dye has founded and led businesses in a number of different sectors. Until January 2008, he was chief executive of William Ransom & Son plc, one of the UK's longest established pharmaceutical companies, with a specialisation in natural healthcare. 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 the University of Cambridge.

6. Peter Keen, ACA Non-Executive and Senior Independent Director

Date of appointment October 2005

Peter Keen joined Abcam's Board in October 2005 prior to the Company's IPO and is a chartered accountant with more than 25 years' experience in the financing and management of biotechnology companies. He is chairman of Oval Medical Technologies Ltd and Exosect Limited and a non-executive director of Ark Therapeutics Group plc and the Biotech Growth Trust plc. Peter has a notable track record in the UK biotechnology sector and until March 2010 was corporate development and finance director of the private biotechnology company Serentis Ltd. He was co-founder and finance director of Chiroscience Group plc after which he helped establish Merlin Biosciences Limited, where he was responsible for a number of investments including Ark Therapeutics Group plc, Cyclacel, ReNeuron plc and Vectura Group plc. More recently, he was chief financial officer of Arakis Limited, until its successful trade sale in 2005, and a partner with the technology venture firm DFJ Esprit LLP.

7. Tony Kouzarides, PhD Non-Executive Director

Date of appointment April 1998

Tony Kouzarides is a co-founder of Abcam and has played a key role in expanding Abcam's antibody product range into the chromatin research area. Professor Kouzarides holds the Royal Society Napier Professorship in Cancer Biology at the University of Cambridge, UK, where he leads a laboratory that investigates the basic cellular role of chromatin-modifying enzymes and their role in human cancer. He is a co-founder of Chroma Therapeutics Limited, which identifies drugs against cancer, and is the founder and director of cancer charity Vencer el Cancer, operating in Spain.

8. Mark Webster Non-Executive Director

Date of appointment July 2006

Mark Webster joined Abcam's Board as a Non-Executive Director in July 2006 and is currently CEO of Bio Products Laboratory. He is a Chemistry graduate from Durham University who has worked at a number of international pharmaceutical companies including Abbott Laboratories Limited, Shire Pharmaceuticals Group plc, Bayer AG and ProStrakan Group plc, where as head of global marketing and North America he was responsible for setting up ProStrakan's US business. At Bayer he held the position of senior vice president global marketing and licensing/acquisitions and was also a member of Bayer Pharmaceutical's management committee. As vice president of anti-virals, US pharmaceuticals at Abbott he launched the HIV drug Kaletra, which generated more than $1bn in revenue.

Corporate directory

Registered office
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Milton Road
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CB4 0FL

Registered number
3509322

Company secretary
Jeff Iliffe

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EC4M 7LT

Solicitor
Eversheds LLP
1 Wood Street
London
EC2V 7WS

Auditor
Deloitte LLP
Chartered Accountants
Cambridge, UK

Public relations advisor
Buchanan Communications Limited
107 Cheapside
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EC2V 6DN

Banker
National Westminster Bank plc
King's Parade
Cambridge
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Registrar
Capita Registrars
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Huddersfield
HD8 0GA

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and the Independent Auditor's Report, for the year ended 30 June 2011. The Corporate Governance Statement set out on pages 32 to 38 forms part of this report. Although not required to do so by the AIM listing rules, the Directors have provided corporate governance disclosures with this report in line with the UK Corporate Governance Code 2010 (the Code).

Principal activities

Abcam is a producer and distributor of high-quality research-grade antibodies and associated protein research tools. Antibodies and associated protein research products are essential tools for life scientists enabling them to analyse components of living cells at the molecular level.

The Group sells through the internet to customers across the world and now has an online catalogue of products sourced from over 300 of the world's leading manufacturers, academic laboratories and institutes and the Group also has its own production facilities. The catalogue includes a growing range of non-primary antibody products such as proteins, peptides, lysates, immunoassays and other kits. Products are available for life-science research and are distributed to academic and commercial users. A highly developed eCommerce platform, which includes regional websites for the Chinese and Japanese markets, allows customers to access up-to-date and detailed technical product data sheets.

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 19 to the financial statements.

Business review

The information that fulfils the requirements of the Companies Act for a business review to be included within the Directors' Report can be found on pages 8 to 21 and is deemed to be incorporated in this report by this reference.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 22 to the financial statements.

Details of significant events since the balance sheet date are contained in note 34 to the financial statements.

Principal risks and uncertainties

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies are constantly reviewed, taking into account market conditions and the Group's activities. The Board formally reviews the Group's risk register twice a year.

Like every business, the Group faces risks in the undertaking of its day-to-day operations and in pursuit of its longer-term objectives. Further information on those risks and how they are managed by the Group is set out on the following pages.

Further additional information on the Group's financial risk management strategy can be found in note 25 to the financial statements.

Directors' report continued

Principal risks and uncertainties continued

Issue	Risk	Mitigation
Government funding	Over 80% of Abcam's sales are funded by public money, mainly through research grants. Any reduction in grant funding by central governments to address fiscal deficits is likely to have some impact on the level of demand for Abcam's products.	One of Abcam's key long-term strategic objectives is to continue to expand its geographic diversity, particularly in markets where government funding is increasing, such as China. In addition, Abcam's products are used as research tool consumables within laboratories, so its sales are likely to be more resilient when budgets are cut than equipment manufacturers, for example, whose customers may be more unlikely to obtain approval for large capital investment projects.
Competition	There are several hundred antibody suppliers around the world. These include companies ranging from dedicated antibody suppliers to large multi-national companies selling broad ranges of other products in addition to antibodies. Abcam's rapid growth may attract new competitors and/or stimulate existing competitors, some of which have greater financial, marketing and technological resources than Abcam, to invest further in their offerings to the market.	Abcam already sources products from many of the world's leading suppliers and, in response to this risk, continues to build its supplier and product base, invest in the functionality of its website and its operational capability. The challenges for a competitor would include establishing a suitably large catalogue of products with proven validation in research, sold under an established and successful brand, and if they were to follow Abcam's supply model, building relationships with a broad range of high quality suppliers.
Supplier relationships	Abcam may lose a supplier if, for example, that supplier's business strategy changed or it was no longer willing or able to continue to provide products.	Abcam has over 300 suppliers and has had relationships with many of them for several years, with growing levels of sales, which makes this less likely. If this were to occur Abcam often has several antibodies to the same target and whilst each is unique, in the event of a particular product no longer being available, Abcam would look to offer customers alternative products from within the catalogue. In the 2011 financial year no supplier accounted for more than 5% of revenue. Abcam has its own production capability which could also be utilised to generate alternative products. Products from the facilities currently contribute approximately 17% of total Group revenue.
Intellectual property	Research antibodies are not typically protected by intellectual property rights and the market can be characterised as having relatively low barriers to entry in this regard. However, where such rights are claimed to be the subject of third party patents or other proprietary rights, Abcam may be the subject of infringement actions or proceedings.	Abcam believes that its principal protection in the market lies with its business model rather than through intellectual property rights. The breadth of highly specified products in its catalogue, its ability to add products quickly and cheaply, its extensive supplier base and its own production capability and brand, each act as significant barriers to entry for competitors. In addition, Abcam has no single product dependency; for example, its biggest selling product accounts for less than 1% of Group revenues, meaning that any infringement actions are likely to have a minimal impact on sales.
International trade regulation	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.	Abcam closely monitors any changes to international import and export regulations and seeks to adapt its procedures wherever possible to ensure that the movement of products is not affected, whilst maintaining compliance with such regulations.

Issue	Risk	Mitigation
Infrastructure	Abcam operates in a market which it has been able to exploit through the use of online and eCommerce based systems. These systems need to be robust, efficient and scalable in order for the Group to continue to manage its growth. The risks here are both from the infrastructure and organisation of the IT systems, as well as the ability of Abcam's products to be found by online users through popular internet search engines.	The Group invests extensively in its IT systems both from a scalability and security point of view, as well as from usability aspects. Abcam uses a global content delivery partner to increase both the reliability and access speed for viewing the majority of its static site content. Dynamic content is served from an external, fully supported data centre. The Group outsources regular security penetration testing on its website from a third party and pays considerable attention internally to the search engine optimisation and usability of the website through user testing, feedback and surveys.
Staff recruitment and retention	The contribution made by Abcam's highly skilled and dedicated staff has been, and will continue to be, important to Abcam's future success. As the Group's profile grows it is important that it is able to continue to recruit and retain high calibre staff.	Abcam places great emphasis on open communication with employees, including quarterly Group-wide meetings, weekly office meetings and regular staff committee meetings. There are also share ownership schemes and profit share arrangements, with rewards based on seniority within the business. Abcam also looks to create a supportive working environment: employees are provided with significant opportunities for learning and development and are encouraged to provide feedback on this via an annual staff survey.
Distributor relationships	In certain areas of the world Abcam works through third party distributors who undertake marketing support activities and provide local logistical support. Consequently Abcam is dependent on them fulfilling these roles in an effective and efficient manner so as to enable sales to continue to grow in these regions. The distributors act as customers and therefore represent a financial risk for uncollected account balances.	Abcam has a team dedicated to maintaining close relationships with our distributors. They typically work on annual contracts and there is a detailed qualification process which they are required to go through before being appointed. Outside of Japan, where we sell directly to sub-dealers, distributor sales amounted to around 10% of total sales in the 2011 financial year and no single distributor accounted for more than 3% of total sales.
Product defensibility	It is possible that new technologies may emerge in the future as viable alternatives to the use of antibodies in protein detection.	In order to mitigate this risk Abcam has many contacts in the industry and dedicates resource specifically targeted at this area. In this way, Abcam looks to stay abreast of technological developments in the field as far as is practicable, with the aim of positioning the Group to exploit the commercialisation of such technologies if they appear.
Financial	The Group has significant operations outside the UK and as such is exposed to exchange rate fluctuation, in particular the strength of Sterling relative to the US Dollar, Euro and Japanese Yen. Although there are natural hedges in place due to the fact that the Group is able to utilise a proportion of its income in foreign currencies to pay for outgoings in those currencies, in particular the US Dollar, the Group generates surpluses of each currency.	The Board's policy is to sell forward some of the expected surplus in order to reduce the short-term exposure. However, longer-term movements in the relative strength of Sterling will impact the Group's profits.

Directors' report continued

Dividends
As detailed in the Chairman's Review, the Directors recommend a final dividend of 3.800 pence (2010: 2.922 pence*) per ordinary share, to be paid on 25 November 2011 to shareholders on the register on 4 November 2011. Together with the interim dividend of 1.450 pence per share paid on 15 April 2011, this makes a combined dividend for the year of 5.250 pence (2010: 4.006 pence*).

* To aid comparison, the prior year dividends on each 1 pence ordinary share have been restated as the equivalent dividend upon each 0.2 pence ordinary share, to take account of the five for one share sub-division which took effect on 15 November 2010.

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 26 and 27. The Company has one class of ordinary share 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 Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 32. The voting rights in relation to the shares held by the Abcam Employee Share Benefit Trust are exercised by the trustees.

The sub-division of each 1 pence ordinary share into five new ordinary shares of 0.2 pence each was approved by shareholders at the Company's AGM in November 2010 and became effective on 15 November 2010. The sub-division was proposed by the Board with the objective of improving the liquidity and marketability of the ordinary shares of the Company by reducing the market price of an ordinary share and increasing the number of shares in issue.

Appointment and authority of Directors
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation and, although not obliged to do so as an AIM listed company, has chosen to follow the principles set out in the Code wherever possible. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the main Board terms of reference, copies of which are available on request, and the Corporate Governance Statement on pages 32 to 38.

Change of control
All of Abcam's equity-based plans contain provisions relating to a change of control. Under the Long-Term Incentive Plan (LTIP), outstanding awards would normally be released on a change of control, subject to satisfaction of any performance conditions at that time. In addition, depending on the achievement of performance conditions, other share-based payment arrangements may vest on change of control but this is subject to the approval and exercise of the discretion of the Remuneration Committee.

The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Directors
The Directors who served throughout the year were as follows:

Mike Redmond
Jonathan Milner
Jeff Iliffe
Jim Warwick
Tim Dye
Peter Keen
Tony Kouzarides
Mark Webster

Brief biographical descriptions of the Directors are set out on pages 22 and 23.

Two Directors will be retiring and offering themselves for re-election at the AGM to be held in October 2011:

> Tony Kouzarides who has been a Non-Executive Director for over nine years and retires in line with the principles set out in the Code; and

> Jim Warwick who last stood for re-election in 2008 and retires by rotation as required by the Company's Articles of Association.

Directors continued

Tim Dye and Mark Webster will be retiring at the conclusion of this year's AGM, as discussed in the Chairman's Report on pages 6 and 7.

Following performance evaluation, the Chairman has determined that each individual continues to demonstrate commitment to his role and to display effective performance; he is therefore recommending re-election of all Directors offering themselves for re-election at this year's AGM.

Directors' interests

The Directors who held office at 30 June 2011 had the following interests in the ordinary shares of the Company:

	0.2 pence ordinary shares on 30 June 2011	0.2 pence ordinary shares on 30 June 2010*
Mike Redmond	**75,000**	75,000
Jonathan Milner	**28,505,657**	28,695,155
Jeff Iliffe	**16,002**	2,500
Jim Warwick	**2,933,802**	2,900,300
Peter Keen	**169,125**	169,125
Mark Webster	**—**	—
Tony Kouzarides	**401,220**	401,220
Tim Dye	**12,500**	12,500

* To aid comparison, the number of 1 pence ordinary shares held on 30 June 2010 has been restated as the equivalent number of 0.2 pence ordinary shares, to take account of the five for one share sub-division which took effect on 15 November 2010.

There have been no changes in the Directors' interests in shares of the Company between 30 June 2011 and 12 September 2011.

Directors' share options

Details of Directors' share-based options and awards and shares conditionally awarded through the Share Incentive Plan are provided in the Directors' Remuneration Report on pages 39 to 48.

Directors' indemnities

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

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment, provided that the goods or services have been supplied in accordance with the agreed terms and conditions. Trade creditors of the Group at 30 June 2011 were equivalent to 37 days purchases (2010: 29 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations and community support

Abcam participates actively in the community of entrepreneurial businesses clustered around Cambridge, UK. The Company supports the Cambridge Network, the University of Cambridge and the Judge Business School both by giving talks and presentations on its 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 Group encourages employees to get involved in local charitable activities; a maximum of 0.1% of the previous year's pre-tax profit is allocated for charitable donations, split between each of the Group's offices. The donations are allocated by a committee of staff volunteers working within guidelines set down by the Directors. Included in the figures below is an additional one-off donation of £10,000 to the Japanese earthquake appeal and the Board wishes to thank its Japanese employees, who have continued to work with spirit and dedication to ensure Abcam's service to its customers has been maintained despite the adverse conditions they faced.

The Group made no political donations during the year (2010: £nil) and made charitable donations of £35,825 (2010: £15,401), principally to children's and local charities serving the communities in which the Group operates.

Directors' report continued

Substantial shareholdings

On 26 August 2011, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company (excluding Directors' interests which are set out on page 29):

	Number of ordinary shares held	Percentage of issued share capital
BlackRock Investment Management	14,973,531	8.24%
Baillie Gifford	14,119,678	7.77%
Standard Life Investments	12,665,412	6.97%
William Blair & Company	11,334,925	6.24%
Kames Capital (previously Aegon Asset Management)	10,112,963	5.56%

Acquisition of the Company's own shares

At the end of the year, the Directors had authority, under the shareholders' resolutions of 1 November 2010, to purchase through the market 17,950,000 of the Company's ordinary shares, provided that:

(i) the amount paid for each share (exclusive of expenses) shall not be more than the higher of: (1) 5% above the average market value for the five business days before the date on which the contract for the purchase is made; and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange or less than 1 pence per share; and

(ii) the authority expires at the conclusion of the AGM of the Company to be held on 21 October 2011.

No shares were purchased under the above authority during the year under review.

Corporate, social and ethical policies

Abcam recognises the importance of balancing the interests of its customers, shareholders, employees, suppliers and the communities in which it operates. Management of the environmental and social issues that play a part in the business is a key factor in the Group's 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 on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through regular formal and informal meetings and weekly e-newsletters distributed by each of the regional offices. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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, or 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 is applied to its products. This includes reviewing and, where appropriate, visiting our suppliers to check the standards they follow in their products and services.

Health and safety and environment

Abcam provides and maintains a safe and healthy working environment, equipment and systems for all employees together with information, training and supervision as may be needed for this purpose.

Compliance with legislation is the Group's minimum requirement; however, our aim is to achieve higher standards as best practice demands. The Group is committed to an annual audit process by external safety advisors in order to understand and maximise our performance, demonstrate best practice to all stakeholders and identify areas for targeted improvements. Core skills are identified and training programmes developed to ensure these are in place.

Health and safety and environment continued

Health and safety in the Group is ultimately the responsibility of the Chief Executive Officer. The management structure for health and safety is run by a Safety & Facilities Specialist and is supported through a Group Steering Committee whose membership includes the Chief Operating Officer, Scientific Director, Head of Corporate Services and representatives from all Abcam regional offices. The safety structure encompasses employees from all areas of the business and promotes ownership of health and safety across its wide remit.

A rigorous occupational health scheme is in place and we look to promote a positive and proactive safety culture. Our reporting system for absence promotes the best use of resources and there have been no RIDDOR reportable accidents or instances of ill health over the past year.

Abcam seeks, wherever possible, to minimise its impact on the environment for the benefit of its employees and the public at large. The Group is committed to complying with environmental regulations and encourages and supports its employees in achieving this.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review on pages 8 to 21. Notes 21, 24 and 25 include a description of the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and through a diverse customer base is subject not only to the Western economies but also Japan, China and, to a lesser extent, South America. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain global economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

Each of the Directors of the Company at the date on which this report was approved confirms that:

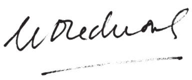
> so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

> the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming AGM.

Approved by the Board and signed on its behalf by:



Mike Redmond
Chairman
12 September 2011

Corporate governance statement

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 Code. Therefore, although not required to do so by the AIM listing rules, the Directors have provided corporate governance disclosures with this report in line with guidance contained within the Code.

Directors

Board effectiveness

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.

The Board holds full meetings every month, with attendance required in person one month and via telephone the next month. The principal matters that it considers are as follows:

- monthly management accounts, KPIs and performance against budget;
- regular reviews of R&D, operations and product sourcing;
- regular reviews of strategic objectives and Group priorities;
- the annual Group budget and revised forecasts;
- 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 an AIM listed company;
- determination of the remuneration policy for the Directors and other senior executives; and
- management of funds and major capital expenditure, including proposals for mergers or acquisitions of other companies or product lines.

The Board has a policy, which is reviewed at least annually, to set out which matters are reserved for the decision of the Board and those to 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 is required to be taken by the whole Board.

The Board delegates day-to-day responsibility for managing the Group to the Executive Management Team (EMT) and has a number of other Committees, details of which are set out on the following pages.

Matters which the Board considers are suitable for delegation to a Board Committee are contained within each Committee's terms of reference, which are available on the Company's investor relations website, www.abcamplc.com.

Board meeting attendance

The table below shows Directors' attendance at scheduled Board meetings or conference calls and ad hoc meetings:

	Scheduled Board meetings		Ad hoc meetings	
	Meetings attended	Total available meetings	Meetings attended	Total available meetings
Mike Redmond	11	12	6	6
Jonathan Milner	12	12	6	6
Jeff Iliffe	12	12	6	6
Jim Warwick	12	12	6	6
Tim Dye	12	12	5	6
Peter Keen	12	12	6	6
Tony Kouzarides	11	12	5	6
Mark Webster	11	12	5	6

Directors continued

Chairman and Chief Executive

The roles of Chairman and Chief Executive Officer are vested in separate individuals, each with clear allocation of accountability and responsibility.

The main responsibilities of the Chairman include:

> leadership of the Board and creating the conditions for overall Board and individual director effectiveness and a constructive relationship with good communications between the Executive and Non-Executive Directors;

> ensuring that the Board as a whole plays a full and constructive part in the development of strategy and overall commercial objectives;

> ensuring that there is effective communication with shareholders;

> promoting the highest standards of integrity, probity and corporate governance throughout the Company, particularly at Board level; and

> ensuring that the performance of the Board as a whole, its committees, and individual directors is formally and rigorously evaluated at least once a year.

The main responsibilities of the Chief Executive Officer include:

> proposing and developing the Company's long-term strategy and overall commercial objectives to ensure the Company's position remains differentiated, in conjunction with the EMT;

> ensuring initiatives for long-term growth are appropriately championed and resourced within the Company in the short term;

> managing the EMT;

> leading the communication programme with shareholders and analysts; and

> fostering good relationships with key stakeholders.

Executive Management Team

The EMT is responsible for developing and implementing the strategy approved by the Board. In particular, the EMT is responsible for ensuring that the Group's budget and forecasts are properly prepared, that targets are met and for generally managing and developing the business within the overall budget. Variations from the budget and changes in strategy require approval from the main Board of the Group.

The EMT, which meets on a weekly basis, comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief Technology Officer, the Scientific Director, the Commercial Director and the Head of Corporate Services; meetings are attended by other senior operational personnel, as appropriate.

Board balance and independence

The Board comprises the Chairman, three full-time Executive Directors and four Non-Executive Directors. Brief biographical details of all members of the Board are set out on pages 22 and 23.

In order to assist in securing the recruitment and retention of high calibre Non-Executive Directors, prior to the flotation of the Company in 2005, the Company granted options to Non-Executive Directors to acquire shares in the Company in addition to fees. 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. At the end of the year, the only Non-Executive Director with a small number of unexercised share options is Tony Kouzarides. These options are not subject to any performance conditions.

The holding of share options by Non-Executive Directors could be, amongst other things, relevant in determining whether a Non-Executive Director is independent. The Board has determined that it does not believe that the holding of share options by Tony Kouzarides detracts from his independent status. Tony Kouzarides is therefore considered by the Board to be independent, notwithstanding the fact that he has served on the Board for more than nine years, since he demonstrates a continuous independence in character, judgement and behaviour in all Board matters. The Board considers Mike Redmond, Peter Keen and Tim Dye to be independent within the meaning of the Code. Mark Webster is not deemed to be independent because he has been employed by the Company in an executive capacity during the last five years. Peter Keen has been identified as the Senior Independent Director, who provides a communication channel between the Chairman and the Non-Executive Directors, and is available to discuss matters with shareholders if required.

All Directors have completed conflicts of interest questionnaires and any planned changes in their directorships outside the Group are notified to the Board. None of the relationships declared are considered to be of a material nature to Abcam's business, and none are therefore deemed to impact on the independence of the Directors. The conflicts register is reviewed at Board meetings on alternate months.

The beneficial interests of the Directors in the share capital of the Company are set out in the Directors' Report. In the opinion of the Board, these shareholdings do not detract from the Non-Executive Directors' independent status.

Corporate governance statement continued

Directors continued

Board balance and independence continued

The Board has considered the overall balance between Executive and Non-Executive Directors and believes that 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. It is intended that the Board reflects a balance between financial, sector specific and general business skills, with a highly experienced team leading the business in both Executive and Non-Executive roles. Following a review of Board membership during the year, it was identified that the Company would benefit from experience at the Non-Executive Director level of the life-science tools market and businesses with a strong eCommerce component. This has led to the forthcoming appointment of Tony Martin, as detailed in the Chairman's Review and in the Nomination Committee report below, and the planned recruitment of a further Director with broad eCommerce experience.

Information and professional development

Before each meeting the Board is provided with information concerning the state of the business and its performance in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties.

Non-Executive Directors have the opportunity to influence agendas for Board discussions and to ensure the amount of time spent reviewing strategic and operational issues is appropriately balanced. In the event that Directors are unable to attend a meeting or a conference call, they receive and read the papers for consideration at that meeting and have the opportunity to relay their comments and, if necessary, to follow up with the Chairman or the Chief Executive Officer after the meeting.

Directors receive appropriate induction on joining the Board, tailored to their specific requirements, the aim of which is to introduce them to key executives across the business and to enhance their knowledge and understanding of the Group and its activities.

The Group has a commitment to training and all Directors, Executive or Non-Executive, are encouraged to attend suitable training courses at the Group's expense. Regular updates on corporate governance are also provided to the Board by the Group's advisors.

Performance evaluation

The Board undertakes a regular evaluation of its own performance. This review involves detailed interviews with each Director and covers the functioning of the Board as a whole, the operation of each of the Committees, succession planning and process and practicalities.

The review undertaken in 2011 concluded that the Board and its individual members continues to perform effectively in an environment where there is constructive challenge from the Non-Executive Directors and operates within a framework of sound governance and practices which, wherever it is reasonably practicable, are consistent with the principles set out in the Code.

Accountability and audit

Financial reporting

The Board is responsible for reviewing and approving the Annual Report and Accounts and the interim financial information, and for ensuring they present a balanced assessment of the Group's position. Drafts of these reports are provided to the Board in a timely manner and Directors' feedback is discussed and incorporated where appropriate, prior to publication.

Internal control

The Board acknowledges its responsibility for safeguarding the shareholders' investment and the Group's assets and has applied principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance).

The Board has overall responsibility for ensuring the Group maintains an adequate system of internal control and risk management and for reviewing its effectiveness, whilst the implementation of internal control systems is the responsibility of management. The Group has implemented an internal control system designed to help ensure:

- the effective and efficient operation of the Group by enabling management to respond appropriately to significant risks to achieving the Group's business objectives;
- the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed;
- the quality of internal and external reporting;
- compliance with applicable laws and regulations and with internal policies on the conduct of the Group's business; and
- the ability to recover in a timely manner from the effects of disasters or major accidents which originate outside the Group's direct control.

Such a system is designed to manage rather than eliminate the risks inherent in a fast-moving business and can, therefore, provide only reasonable and not absolute assurance against material misstatement or loss.

Accountability and audit continued

Internal control continued

In compliance with provision C.2.1 of the Code, the Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of the Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by this report. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Whilst the Group does not currently have a separate internal audit function, an Internal Controls Committee, consisting of key members of the finance team, meets on a monthly basis, with other operational managers attending where necessary. A rolling internal audit of key processes has been implemented and is carried out by members of the finance team. The results are reviewed by the Internal Controls Committee and the Audit Committee and the necessary actions taken to rectify any control deficiencies identified.

The Audit Committee reviews the need for a separate internal audit function on an annual basis and has concluded that, despite the rate of growth in recent years, the structure of the Group and the level of control exercised by the management team are currently sufficient, such that an internal audit function continues to be neither necessary nor cost effective at this time. The Directors have 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.

Whistleblowing procedures

The Group operates a whistleblowing policy which provides for all employees to raise concerns about any unethical business practices, fraud, misconduct or wrongdoing to senior management in strict confidence. They can do so without fear of recrimination and the Audit Committee receives any such confidential reports. There were no whistleblowing reports throughout 2010/11 and none up to the date of this report.

Relations with shareholders

Dialogue with institutional 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.

Where appropriate the Company also consults with major shareholders on significant issues.

Members of the Board develop an understanding of the views of major shareholders through any direct contact that may be initiated by shareholders, or through analysts' and brokers' briefings. The Board also receives feedback from the Group's broker and financial PR advisor who, in turn, obtain feedback from analysts and brokers following investor roadshows.

Constructive use of the AGM

The Board actively encourages participation at the AGM, which is the principal forum for dialogue with private shareholders. A presentation is made outlining recent developments in the business and an open question-and-answer session follows to enable shareholders to ask questions about the business in general.

The Audit Committee

Committee members	Meetings attended	Total available meetings
Peter Keen (Chairman)	2	2
Mike Redmond	2	2
Mark Webster	2	2

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by the Disclosure and Transparency Rule 7.1 and the Code and are available from the Company's investor relations website, www.abcamplc.com. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

Corporate governance statement continued

The Audit Committee continued

Summary of the role of the Audit Committee continued

The Committee has responsibility for the following matters:

> monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein before they are submitted to the Board for final approval;

> reviewing the effectiveness of the Group's financial reporting and the internal control and risk management policies and systems;

> reviewing annually the need for an internal audit function;

> making recommendations to the Board, for a resolution to be put to shareholders for their approval in general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;

> reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

> developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm; and

> reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

Composition of the Audit Committee

The members of the Audit Committee are shown on page 35. Membership of the Committee is reviewed by the Chairman of the Committee and the Group Chairman at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board.

The Audit Committee is required to include one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman, Peter Keen, fulfils this requirement. Peter is deemed by the Board to have recent and relevant financial experience as he is a qualified chartered accountant with more than 25 years' experience in the financing and management of biotechnology companies. He is currently chairman of Oval Medical Technologies Ltd and Exosect Limited and a Non-Executive Director of Ark Therapeutics Group plc and the Biotech Growth Trust plc.

All Audit Committee members are expected to be financially literate. The Board expects the Audit Committee members to have an understanding of:

> the principles of, contents of, and developments in financial reporting, including the applicable accounting standards and statements of recommended practice;

> key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;

> matters that influence or distort the presentation of accounts and key figures;

> the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;

> the role of internal and external auditing and risk management;

> the regulatory framework for the Group's businesses; and

> environmental and social responsibility best reporting practices.

Meetings

The Audit Committee is required to meet two times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items. During the period under review the Committee has met twice on a formal basis and a number of times informally.

The Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, the Financial Controller and senior representatives of the external auditor attend Audit Committee meetings by invitation in order to ensure that all the information required by the Audit Committee for it to operate effectively is available. Representatives of the Group's external auditor meet with the Audit Committee at least twice a year without any Executive Directors or other Company management being present.

The Audit Committee continued

Overview of the actions taken by the Audit Committee to discharge its duties

During the year under review, the Audit Committee has:

- reviewed the June 2010 report and financial statements and the December 2010 half-yearly financial report. As part of this review, the Committee received a report from the external auditor on their audit of the Annual Report and financial statements and review of the half-yearly financial report;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and financial statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the auditor;
- agreed the fees to be paid to the external auditor for their audit of the June 2010 financial statements and December half-yearly report;
- considered a report from the Internal Controls Committee on their review of the effectiveness of controls across the Group and received a report on management action taken in response to the recommendations arising from this report; and
- reviewed its own effectiveness.

External auditor

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit.

Deloitte LLP has been the Group's auditor since it listed on the London Stock Exchange in 2005. The external auditor is required to rotate the audit partner responsible for the Group and subsidiary audits every fifth year end and the current lead audit partner has been in place since 2 November 2009. The Audit Committee considers that the relationship with the external auditor is working well and remains satisfied with their effectiveness. Accordingly, the Audit Committee has not considered it necessary to date to require the firm to tender for the audit work.

There are no contractual obligations restricting the Group's choice of external auditor. The Audit Committee also keeps under review the value for money of the audit. The Committee has discussed with the external auditor the firm's independence and has received and reviewed written disclosures from the external auditor as required by the Auditing Practices Board's International Standard on Auditing (ISA) (UK and Ireland) 260 "Communication of audit matters to those charged with governance". Through this process, the Committee has concluded that the auditor is independent.

The Group's regular tax compliance work is carried out by Deloitte and tax advisory work is carried out by the auditor only in cases where that firm is best suited to perform the work in a cost-effective manner, given their familiarity with the Group's business. A breakdown of fees paid to the auditor can be found in note 9 to the financial statements.

Following the above, the Audit Committee has recommended to the Board that Deloitte LLP is re-appointed at the forthcoming AGM in October 2011.

The Nomination Committee

Committee members	Meetings attended	Total available meetings
Tim Dye (Chairman)	2	2
Peter Keen	2	2
Tony Kouzarides	2	2
Mike Redmond	2	2

The Nomination Committee is responsible for the following matters:

- reviewing the size, composition and balance (including the skills, knowledge and experience) of the Board;
- reviewing succession planning for both Directors and the senior management team;
- leading the process for Board appointments and making recommendations to the Board in relation to new appointments of Executive and Non-Executive Directors;
- considering the roles and capabilities required for each new appointment, based on an evaluation of the skills and experience of the existing Directors;
- ensuring on appointment that a candidate has sufficient time to undertake the role and reviewing annually the time needed to fulfil the roles of Chairman of the Company, Senior Independent Director and Non-Executive Director to ensure all members of the Board have devoted sufficient time to fulfil their duties;

Corporate governance statement continued

The Nomination Committee continued

- considering any information received from the Directors regarding that Director's conflicts or potential conflicts of interest with the Company and making recommendations to the Board in respect thereof; and
- keeping up to date with and being fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

The terms of reference of the Committee can be found on the Company's investor relations website, www.abcamplc.com. The terms of appointment of all Non-Executive Directors will be available for inspection at the forthcoming AGM in October 2011.

Succession planning

A detailed exercise was carried out during the year to review the succession plans for each of the Executive Directors, EMT members and key individuals reporting into them. An assessment was made of the impact on the business if particular roles were to become vacant and plans drawn up as to how these should be filled, on both short and long-term bases as appropriate.

Re-election of Directors

All Directors are subject to election by shareholders at the first AGM after their appointment and to re-election thereafter at intervals of no more than three years. Non-Executive Directors who have served longer than nine years are subject to annual re-election. Notwithstanding the above rules, a minimum of one-third of the Directors must retire by rotation each year.

The names of Directors submitted for re-election at this year's AGM are provided in the Directors' Report on page 28 and their biographical details are shown on pages 22 and 23.

The Company's detailed policies with regards to re-election of Directors are set out within its Articles of Association which are available for download from the Company's investor relations website, www.abcamplc.com.

Recruitment of new Board members

The process adopted by the Committee to identify a candidate for a specific vacancy is, in the first instance, to determine whether any individuals known to the Board would be suitable for the role. If no candidates can be identified through this process, or if the Committee believes that the process would be improved by the involvement of other candidates, then an external search consultancy will be approached. Short-listed candidates are interviewed by all members of the Committee and other Executive and Non-Executive Directors as the Committee deems appropriate. Once a suitable candidate has been identified and references taken, the Chairman of the Committee will recommend to the Board that the Company make a formal offer of employment to the candidate.

Candidates are selected on merit against objective criteria, with consideration given to the amount of time the appointee will have available to devote to the job.

During the year, a review of the balance of skills and experience within the current Board structure was undertaken. The Company has grown significantly and rapidly over the 13 years since its inception and the existing Directors have provided ample support for these achievements. As the Company now enters its next phase of growth, it was concluded that it is now important to increase the knowledge base of the Board by appointing two new Non-Executive Directors with specific knowledge and experience of the life-sciences research tools sector and eCommerce trading respectively.

For the former role, Dr Tony Martin was known to members of the Committee, so no external search firm was deemed necessary and his appointment was recommended to the Board.

Tony holds a PhD in Immunology and has more than 20 years' experience in providing life-science and medical diagnostic companies counsel on a range of strategic, management and funding matters. He is the founder and managing partner of TMA Consultants, an organisation that specialises in providing business planning and interim management for biotechnology companies. Most recently he served as chairman of Molecular Insight Pharmaceuticals Inc., a NASDAQ quoted biopharm company specialising in new radiotherapies for heart disease and cancer and is currently chairman of Sphere Medical Holding plc, Wound Solutions Ltd, Phico Therapeutics Ltd and 1Voice1Vision Ltd. After rigorous interviewing and discussion amongst Board members, Tony will join the Board later this month and will stand for election by shareholders at this year's AGM.

The recruitment process for the eCommerce role is underway and an external search firm has been engaged to seek and introduce suitable candidates.

The Remuneration Committee

A description of the composition, responsibilities and operation of the remuneration committee is set out in the Directors' Remuneration Report on pages 39 to 48.

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. Although not required by the AIM listing rules to provide all the information detailed below, the Directors have chosen to apply the principles relating to Directors' remuneration disclosures in the Code. As required by the Act, a resolution to approve the report will be proposed at the AGM of the Company at which the financial statements will be approved.

The Act requires the auditor to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Group has a Remuneration Committee (the Committee), chaired by Peter Keen, which wherever possible follows the principles of the recommendations of the Code. The Committee consists of three independent Non-Executive Directors including the Company Chairman. None of the Committee have any personal financial interest (other than as shareholders), conflicts of interests of a material nature to Abcam's business arising from cross-directorships or day-to-day involvement in running the business.

Committee members	Meetings attended	Total available meetings
Peter Keen (Chairman)	4	4
Tim Dye	3	4
Mike Redmond	4	4

The Committee is responsible for the following matters:

- setting the individual remuneration packages for the Chairman and the Executive Directors, within the overall remuneration policy determined by the Board;
- determining targets for any performance-related pay schemes operated by the Company and to ask the Board, when appropriate, to seek shareholder approval for any long-term incentive arrangements;
- ensuring that total individual remuneration packages are sufficient to attract, retain and motivate Executive Directors and that performance-related elements of remuneration form a significant proportion of the total remuneration package and are designed to align their interests with those of shareholders;
- ensuring that contractual terms on termination are fair to the individual and the Company and do not have the effect of rewarding poor performance;
- obtaining, reviewing and having regard to the conditions of service and remuneration levels of competitor companies;
- being aware of, and advising on, any major changes in employee benefit structures throughout the Group; and
- ensuring that all relevant statutory and/or regulatory provisions regarding disclosure of remuneration (including pensions) are fulfilled.

The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive Directors.

The terms of reference of the Committee are available for inspection on the Company's investor relations website, www.abcamplc.com.

During the year the Committee met four times, with the following issues arising:

- review of the market competitiveness of the remuneration policy and the remuneration arrangements for the Executive Directors;
- review of salary levels for the Executive Directors;
- agreement of the bonus payable for the 2009/10 period;
- review of how the annual bonus plan will operate in 2011/12;
- agreement of the individual long-term incentive plan awards for the 2011/12 financial period;
- review of the performance measures and targets to apply these awards;
- review of the performance of each outstanding long-term incentive award;
- approval of the 2009/10 remuneration report; and
- review of current market developments regarding alternative incentive designs.

Directors' remuneration report continued

Unaudited information continued

Remuneration Committee continued

Independent consultants were retained in the prior year to advise on remuneration policy and to benchmark the Executive Directors' remuneration against that of a comparator group of companies.

Their recommendations on salary and bonus arrangements were considered and, following consultation with major shareholders, were implemented with effect from 1 July 2010. Awards were also made to members of the senior management, including the Executive Directors, under the Company's Long-Term Incentive Plan (LTIP) and other equity-based incentive schemes as detailed below.

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.

Where appropriate, independent advice will be sought to confirm these objectives are being met.

Remuneration policy for the Executive Directors

The Committee aims to set levels of remuneration for Executive Directors that are sufficient to attract, retain and motivate Executive Directors of the calibre required to deliver the business strategy. Individual remuneration packages are structured to align rewards with the performance of the Company and the interests of the shareholders and that are appropriate for the size and complexity of the Group. No Director is involved in deciding his own remuneration. The main principles are to:

> ensure that salaries are set at a market competitive level by benchmarking against appropriate external comparators;

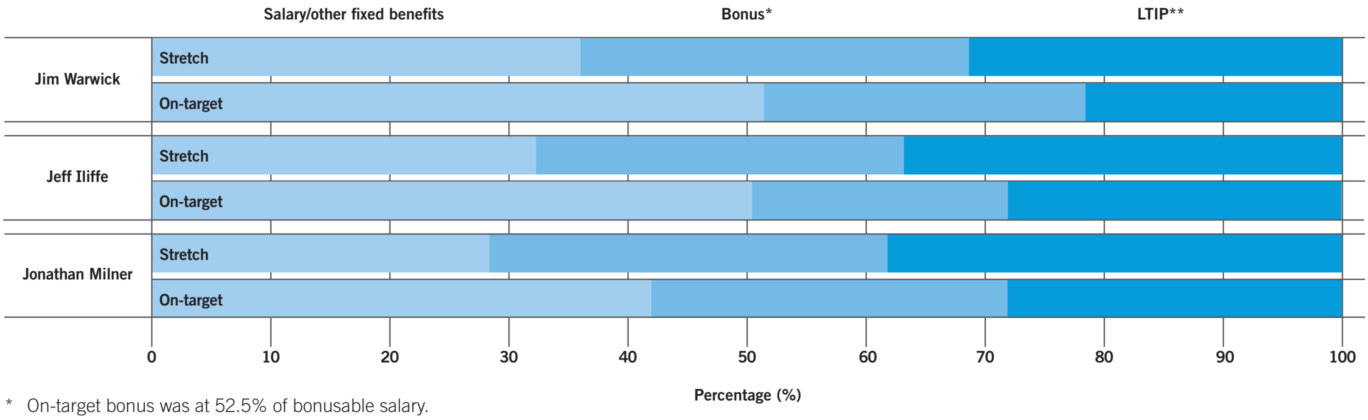
> support a high performance culture by rewarding performance with commensurate reward;

> maintain an appropriate balance of fixed and performance-related pay which delivers over the short, medium and longer-term, with the balance becoming more long-term and more highly performance-related with seniority;

> align long-term rewards with shareholders by taking account of measures that reflect shareholder interests; and

> ensure that the overall package reflects market practice and takes account of levels of remuneration elsewhere in the Group.

The policy is that a substantial proportion of the package should be performance-related. The following chart illustrates the proportion of the remuneration package provided in 2010/11 comprising fixed and variable elements of remuneration:



* On-target bonus was at 52.5% of bonusable salary.

** The value of the LTIP is based on the value of the award made in 2010/11 and assumes that the market value of the shares will be equal on the date of release to the value on the date of award. The on-target calculation assumes that 50% of the LTIPs will be released based on satisfaction of the relevant performance conditions.

Unaudited information continued

Remuneration policy for the Executive Directors continued

The following table provides a summary of the key elements of the remuneration package:

Element	Purpose	Operation
Salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Company.	Reviewed every twelve months. Benchmarked against appropriate market comparators. Linked to individual performance contribution and current market conditions.
Annual bonus	To incentivise achievement of annual objectives which support both the short and long-term strategy of the Company.	Maximum bonus potential is set having considered market levels. Majority of the bonus is based on key elements of the Company's financial performance, the balance being based on individual targets.
Equity-based incentives	To incentivise executives to achieve superior returns to shareholders over a three-year period. To retain key individuals and align interests with shareholders.	Share awards are made annually to senior executives and other senior management and are based on a combination of TSR and EPS targets over a three-year period.
Benefits	To provide competitive benefits that will attract and retain key employees and reflect their experience and position in the Company.	A flexible benefits/salary sacrifice scheme is in place, allowing all employees, including Executive Directors, to choose a variety of benefits to suit individual needs, including pension contributions and various insurances.

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Subject to confirmation that such appointments will not impair the Directors' ability to perform his duties, Executive Directors are normally permitted to accept external appointments with the prior approval of the Board and may retain the fees for such appointments.

Basic salary

The Executive Directors' basic salaries are reviewed at least annually by the Committee, with any revisions normally becoming effective on 1 July each year, taking into account individual performance, market conditions and the level of increases applicable to other employees in the Company.

Salaries are benchmarked against comparable roles in companies of a similar market capitalisation and against similar roles in companies within the industry sector. The independent consultants' report, which was commissioned to assist the review ahead of the 2010/11 financial year, concluded that the salaries of the Executive Directors had fallen below those of a comparator group of companies. In light of the Group's strong performance in recent years, the need to maintain competitive packages and, after consultation with the Company's major shareholders, the Committee approved salary increases to take effect from 1 July 2010 to the lower quartile level of the comparator group. This resulted in a realignment of Executives' salary levels and, having regard to current market conditions, it has been agreed that salaries for 2011/12 will remain unchanged, however, as detailed below the maximum bonus potential has been increased.

The salaries for the Executive Directors for the financial years of 2011/12 and 2010/11 are as follows:

	2011/12 £000	2010/11 £000
Jonathan Milner	**310***	310*
Jeff Iliffe	**220**	220
Jim Warwick	**232**	232

* For the 2010/11 and 2011/12 years, Jonathan Milner has waived a £100,000 increase in salary and has done so again for 2011/12. His base salary will therefore remain at £210,000 in 2011/12 and, as in 2010/11, his bonus arrangements and other benefits will be based on the £310,000 figure.

Executive Directors' service contracts, which include details of remuneration, will be available for inspection at the forthcoming AGM in October 2011.

Directors' remuneration report continued

Unaudited information continued

Annual bonus 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. The Committee establishes the objectives that must be met for each financial year. The maximum bonus and the proportion paid for on-target performance are considered in the light of market practice for companies of a similar size and industry sector.

For the 2010/11 year the maximum bonus was 100% of salary, with 52.5% of salary payable for on-target performance. Targets were based on both corporate and individual objectives. 85% of the bonus opportunity was based on corporate performance, as measured by a target profit figure and 15% on achievement of individual strategic objectives. No payment was due under the profit-based bonus if profit was less than 95% of target and the maximum payment was due at 115% of target. Due to continuing strong performance and progress in the year, the bonus for 2010/11 exceeded on-target levels, representing 62.7% of salary.

Following an independent review and benchmarking exercise, the Executive Directors' salaries were increased in 2010/11 to lower quartile levels against a comparator group. Having regard to current market conditions, it has been agreed that salary levels in 2011/12 will remain unchanged and that performance will be incentivised by increasing the bonus potential from 100% to 110% of salary. The full bonus would be payable on the achievement of stretching EPS targets (for 77.3% of the award) and personal targets (for 22.7% of the award), including the successful execution of strategic initiatives. No payment will be due under the EPS-based bonus if EPS is less than 95% of target and the maximum payment will be due at 110% of target. The total on-target bonus will be increased to 57.5% of basic salary.

Equity-based incentives

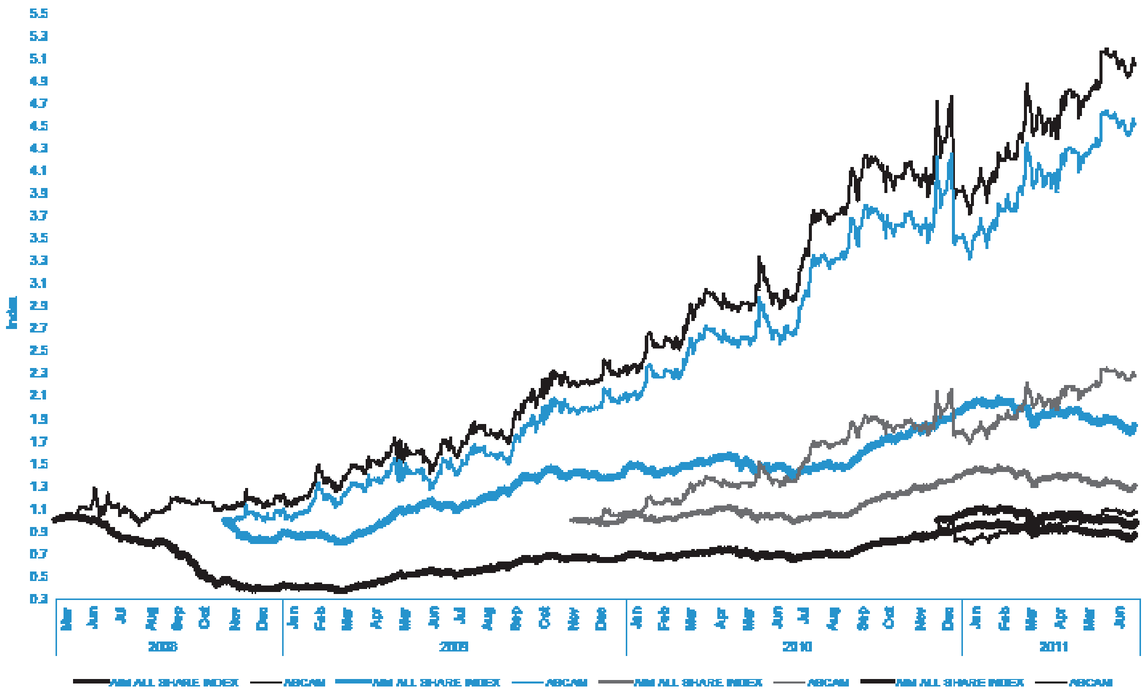
Equity-based incentives are issued to the Executive Directors on a regular basis. In the period since listing on AIM, no equity-based incentives have been granted to Non-Executive Directors and there are no plans for any such grants in the future.

The Abcam plc 2005 Plan

The Abcam plc 2005 Plan (the Plan) was adopted prior to flotation in 2005 and amended in 2008 to make it more tax efficient for US-based employees. All options granted under the Plan since flotation have been based on outperformance of the FTSE AIM All-share 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 performance will be monitored on certain dates over the next twelve 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 no options were granted under the Plan to the Executive Directors.

The following graph shows the performance against the FTSE AIM All-share index for the options issued since flotation which have yet to vest and which have not been forfeited subsequently. If all the options had crystallised at 26 August 2011 then all performance conditions in relation to the options would have been met. Details of these options are set out in note 32 to the financial statements.



Unaudited information continued

Equity-based incentives continued

SAYE scheme

The Company has also established a non-discretionary HMRC-approved SAYE scheme in which all UK employees, including the Executive Directors, can participate. Under this scheme, employees 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 offers 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 is the market value of the shares on the date immediately preceding the offer, less a discount of 20%. The take-up under the scheme was relatively low when the most recent offer was made in 2008, since many employees were already at the allowable investment limits. No options were granted under the SAYE scheme in the year under review and there is no intention to grant SAYE options in 2011/12.

Long-Term Incentive Plan

The LTIP includes 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. The maximum level of award (being the aggregate market value of shares subject to the award at the date of grant) that can be granted to an eligible employee under the LTIP in any financial year is limited to 150% of that employee's salary.

Under the LTIP, performance share awards made to the Executive Directors in 2010/11 took the form of conditional share awards and are subject to achievement over three years of two separate conditions; the first condition applying to 50% of the shares subject to each award and the second condition applying to the remaining 50%.

The Total Shareholder Return (TSR) condition

In respect of the first 50% of each award (the TSR Awards), the number of shares that will vest will depend on the Company's TSR performance as compared to a comparator group of companies (the Comparator Group):

> where the Company's TSR is below the 50th percentile, none of the TSR Awards will vest;

> where the Company's TSR is at or above the 75th percentile of the Comparator Group, all of the TSR Awards will vest; and

> where the Company's TSR is between the 50th and the 75th percentile, the proportion of the TSR Awards that will vest will be calculated on a straight-line basis from 30% at the 50th percentile and rising to 100% at the 75th percentile.

The EPS condition

In respect of the second 50% of each award (the EPS Awards), the number of shares that vest will depend on the EPS growth of the Company over the vesting period:

> at an average of less than 15% growth per annum, equating to 52.1% growth over the period, none of the EPS Awards will vest;

> at average growth per annum of 20%, equating to total growth of 72.8%, the EPS Awards will vest in full; and

> at growth rates between these two figures, the EPS Awards will vest proportionately.

The Company regularly monitors its performance against these conditions.

The following table illustrates the percentage of TSR and EPS Awards which would have vested if the awards had crystallised as at 30 June 2011.

	TSR Awards					EPS Awards	
Year of award	No. companies in comparator group	Position of 75th percentile	Median position	Abcam position	% TSR Award vesting	Average EPS growth per annum	% EPS Award vesting
2008	21	5.25	10.50	6	**90.0%**	57.7%	**100%**
2009	15	3.75	7.50	4	**95.3%**	37.8%	**100%**
2010	16	4.00	8.00	12	**Nil**	22.9%	**100%**

Directors' remuneration report continued

Unaudited information continued

Equity-based incentives continued

Long-Term Incentive Plan continued

The EPS condition continued

There are no companies quoted in the UK which undertake similar activities to Abcam with a similar customer base, size and growth profile and so even with external assistance it has become more difficult over time to construct an appropriate Comparator Group. Following discussion with external advisors, the Committee believes that given Abcam's continued growth in the last few years and market capitalisation, it would now be more appropriate to use the FTSE 250 as the Comparator Group. Following dialogue with the Company's major shareholders, the Committee will be using this new Comparator Group for the TSR Awards in 2011/12.

For the 2011/12 LTIP awards, the basis for assessment of TSR performance against the new Comparator Group will remain the same and the basis of vesting for the EPS Awards will also remain unchanged, including the specific targets of 15% and 20%, which the Committee believes have become even more challenging when compared to prior years.

SIP

Abcam operates an HMRC-approved SIP for all UK employees. Under the SIP, awards are made as follows:

Free share awards

Annual awards are made to UK-based staff, with a market value of up to £3,000 each. Awards take the form of a conditional entitlement to shares and will vest after three years' continuous employment with the Company.

Partnership and matching share awards

All UK-based employees are 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 employed by the Company during that time then they will also receive an additional share for each share acquired.

The Abcam 2009 Company Share Option Plan (CSOP)

The Group operates an HMRC-approved CSOP for UK-based employees of the Company, with a maximum of £30,000 of market value options granted per employee. In 2010/11 options granted under the CSOP to the senior management of the Company, including the Executive Directors, vest on the same basis and with the same performance conditions as those granted under the LTIP and it is intended that this will also be the case in 2011/12.

Share options granted under the CSOP to other employees of the Group (excluding Executive Directors) vest on the same basis as those under the Plan, being outperformance of the FTSE AIM All-share index.

Pension contributions and other benefits

The Company operates a flexible benefits scheme for all UK-based employees; for the Executive Directors, the Company contributes 12% of basic salary into this scheme. The employee can choose how to spend this contribution amongst the specific benefits available and also has the option to sacrifice an element of basic pay to make additional pension contributions into the Company's money purchase pension scheme or to purchase other benefits. As a result of the salary sacrificed and used to purchase additional pension contributions, the Company's National Insurance liability is reduced and the benefit of this reduction is added as an additional contribution to each employee's pension fund. This amount is included within the employer's pension contribution figures disclosed in the table of remuneration details on page 46.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice. However, it may be necessary occasionally to offer longer notice periods to new Directors. All Executive Directors currently have contracts which are subject to six months' notice by either party.

The details of Executive Directors' contracts are summarised below:

	Date of contract	Notice period (months)
Executive		
Jonathan Milner	10 June 2000	6
Jeff Iliffe	6 November 2007	6
Jim Warwick	1 September 2001	6

In the event of early termination, the Directors' contracts provide for statutory compensation payments.

Unaudited information continued

Directors' contracts continued

All Non-Executive Directors, including the Chairman, serve under letters of appointment and either party can terminate on one month's written notice. The details of Non-Executives' contracts are summarised below:

	Date of contract	Notice period (months)
Mike Redmond	1 March 2009	1
Tim Dye	26 May 2006	1
Peter Keen	27 October 2005	1
Tony Kouzarides	24 July 2007	1
Mark Webster	10 July 2007	1

The remuneration of the Non-Executive Directors is determined by the Board within the limits set by the Articles of Association and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. Neither the Chairman nor the Non-Executive Directors have any right to compensation on the early termination of their appointment.

In addition to the basic fees, additional fees for committee duties are paid to reflect the extra responsibilities attached to these roles. Since the Company's listing on the AIM market in 2005, the Non-Executive Directors do not participate in any of the Group's incentive or share schemes and are not eligible to join the pension scheme. Nor do they receive any other benefits. The fees are reviewed in July of each year and fees for 2010/11 and 2009/10 are shown in the table below:

	2010/11 £	2009/10 £
Chairman	**65,625**	62,500
Non-Executive Director basic fee	**31,500**	30,000
Additional fee per annum:		
– Chairman of Audit Committee	**6,000**	6,000
– Chairman of Remuneration or Nomination Committee	**5,000**	5,000
– Member of any sub-Committee	**2,500**	2,500

Fees for 2011/12 will remain at the same level as for 2010/11.

Audited information

The following information has been audited by the Company's auditor, Deloitte LLP, as required by the Companies Act 2006.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2011 £	2010 £
Emoluments	**1,070**	1,018
Gains on exercise of share options	**751**	989
Money purchase pension contributions	**430**	495
	2,251	2,502

Directors' remuneration report continued

Audited information continued

Directors' emoluments

	Fee/basic salary[1] £000	Benefits in kind £000	Performance payments £000	Employer's pension contributions[1] £000	**Total 2011 £000**	Total 2010 £000
Executive						
Jonathan Milner	87	2	194	176	**459**	468
Jeff Iliffe	126	2	138	133	**399**	394
Jim Warwick	149	2	145	121	**417**	417
Non-Executive						
Mike Redmond	73	—	—	—	**73**	63
Tim Dye	39	—	—	—	**39**	38
Peter Keen	45	—	—	—	**45**	44
Tony Kouzarides	34	—	—	—	**34**	34
Mark Webster	34	—	—	—	**34**	31
	587	6	477	430	**1,500**	1,489

[1] As previously described, 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. The basic salary entitlement of each Executive Director during the year was: Jonathan Milner £210,000, Jeff Iliffe £220,000 and Jim Warwick £232,000. For the 2011 financial year, Jonathan Milner waived an increase in salary of £100,000 (2010: £25,000) which would have taken his salary up to £310,000. For the 2010 and 2011 financial years his bonus and benefits were based on £210,000 and £310,000 respectively.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of options exercised during the year are as follows:

Name of Director	Number of options	Exercise price pence	Market price at exercise date pence	**Gain on exercise 2011 £**	Gain on exercise 2010 £
Jonathan Milner	—	—	—	**—**	302,583*
Jeff Iliffe	3,000	62.4	394.00	**9,948**	—
	95,000	62.4	394.69	**315,676**	—
	118,000	62.4	393.00	**336,273***	—
	216,000			**661,897**	302,583
Jim Warwick	33,000	62.4	370.63	**88,695***	346,012
Peter Keen	—	—	—	**—**	340,080*
	249,000			**750,592**	988,675

* A number of the share options exercised were unapproved options. Under the terms of the scheme rules, the employee is liable for payment of the associated employer's National Insurance (NI) charge. These gains are therefore shown net of any employer's NI and represent the taxable gains.

Audited information continued

Directors' share options continued

Details of options over 0.2 pence ordinary shares in the Company for Directors who served during the year are as follows:

Name of Director	Number of options at 30 June 2010*	Granted	Exercised	**Number of options at 30 June 2011**	Exercise price pence	Date from which exercisable	Expiry date
Tony Kouzarides	200,000	—	—	**200,000**	25.0	31 Jan 06	29 Sep 15
Jeff Iliffe	448,715**	—	(216,000)	**232,715**	62.4	8 Nov 10	7 Nov 17
Jonathan Milner	230,020**	—	—	**230,020**	82.6	8 May 11	7 May 18
Jim Warwick	208,010**	—	(33,000)	**175,010**	62.4	8 Nov 10	7 Nov 17
	1,086,745	—	(249,000)	**837,745**			

* The number of LTIP awards as at 30 June 2010 has been rebased to reflect the five for one share sub-division which took effect on 15 November 2010.

** These options were granted under the Abcam plc 2005 Plan and were subject to the performance condition that the share price outperforms the FTSE AIM All-share index at the third anniversary of grant. In each case this performance condition has been satisfied and all the options have now vested.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

The market price of the ordinary shares at 30 June 2011 was 419.3 pence and the range during the year was 244.0 pence to 428.5 pence.

LTIP awards

Details of LTIP awards for Directors who served during the year are as follows:

Name of Director	Number of awards at 30 June 2010*	Awarded**	Vested	**Number of awards at 30 June 2011**
Jonathan Milner	364,265	88,611	—	**452,876**
Jeff Iliffe	283,745	75,278	—	**359,023**
Jim Warwick	313,110	66,003	—	**379,113**
	961,120	229,892	—	**1,191,012**

* The number of LTIP awards as at 30 June 2010 has been rebased to reflect the five for one share sub-division which took effect on 15 November 2010.

** The market price at the date of award for all awards made during the year was 390 pence.

There have been no variations to the terms and conditions or performance criteria for the LTIP schemes during the financial year.

Full details of the operation of the LTIP, including performance conditions, are set out on pages 43 and 44 in the unaudited information contained within the Directors' Remuneration Report.

Directors' remuneration report continued

Audited information continued

SIP

The following table sets out the shares purchased and awarded under the SIP in respect of the Executive Directors. Full details of the operation of the SIP are set out on page 44, in the unaudited information contained within the Directors' Remuneration Report.

Executive Director	Date of award	Date of release	Share price at date of purchase of Partnership Shares and award of Matching Shares pence*	Number as at 30 June 2010*	Free shares conditionally awarded during the period	Partnership Shares purchased during the period	Matching Shares conditionally awarded during the period	Dividend shares acquired during the period	**Number as at 30 June 2011**
Jonathan Milner	7 Nov 08	8 Nov 11	92.4	3,245	—	—	—	—	**3,245**
	27 Nov 08	28 Nov 11	97.0	3,090	—	—	—	—	**3,090**
	8 Dec 08	9 Dec 11	95.0	30	—	—	—	—	**30**
	29 Apr 09	30 Apr 12	132.0	25	—	—	—	—	**25**
	5 Nov 09	6 Nov 12	187.0	1,600	—	—	—	—	**1,600**
	9 Nov 09	9 Nov 12	180.8	1,655	—	—	—	—	**1,655**
	15 Dec 09	15 Dec 12	199.8	60	—	—	—	—	**60**
	26 Apr 10	26 Apr 13	243.2	40	—	—	—	—	**40**
	03 Dec 10	03 Dec 13	390.0	—	—	385	385	—	**770**
	02 Dec 10	02 Dec 13	345.0	—	869	—	—	—	**869**
	03 Dec 10	03 Dec 13	390.0	—	—	—	—	75	**75**
	19 May 11	19 May 14	401.8	—	—	—	—	42	**42**
Total				**9,745**	**869**	**385**	**385**	**117**	**11,501**
Jim Warwick	7 Nov 08	8 Nov 11	92.4	3,245	—	—	—	—	**3,245**
	27 Nov 08	28 Nov 11	97.0	3,090	—	—	—	—	**3,090**
	8 Dec 08	9 Dec 11	95.0	30	—	—	—	—	**30**
	29 Apr 09	30 Apr 12	132.0	25	—	—	—	—	**25**
	5 Nov 09	6 Nov 12	187.0	1,600	—	—	—	—	**1,600**
	9 Nov 09	9 Nov 12	180.8	1,655	—	—	—	—	**1,655**
	15 Dec 09	15 Dec 12	199.8	60	—	—	—	—	**60**
	26 Apr 10	26 Apr 13	243.2	40	—	—	—	—	**40**
	03 Dec 10	03 Dec 13	390.0	—	—	385	385	—	**770**
	02 Dec 10	02 Dec 13	345.0	—	869	—	—	—	**869**
	03 Dec 10	03 Dec 13	390.0	—	—	—	—	75	**75**
	19 May 11	19 May 14	401.8	—	—	—	—	42	**42**
Total				**9,745**	**869**	**385**	**385**	**117**	**11,501**
Jeff Iliffe	7 Nov 08	8 Nov 11	92.4	3,245	—	—	—	—	**3,245**
	27 Nov 08	28 Nov 11	97.0	3,090	—	—	—	—	**3,090**
	8 Dec 08	9 Dec 11	95.0	30	—	—	—	—	**30**
	29 Apr 09	30 Apr 12	132.0	25	—	—	—	—	**25**
	5 Nov 09	6 Nov 12	187.0	1,600	—	—	—	—	**1,600**
	9 Nov 09	9 Nov 12	180.8	1,655	—	—	—	—	**1,655**
	15 Dec 09	15 Dec 12	199.8	60	—	—	—	—	**60**
	26 Apr 10	26 Apr 13	243.2	40	—	—	—	—	**40**
	03 Dec 10	03 Dec 13	390.0	—	—	385	385	—	**770**
	02 Dec 10	02 Dec 13	345.0	—	869	—	—	—	**869**
	03 Dec 10	03 Dec 13	390.0	—	—	—	—	75	**75**
	19 May 11	19 May 14	401.8	—	—	—	—	42	**42**
Total				**9,745**	**869**	**385**	**385**	**117**	**11,501**

* All share prices and numbers of shares as at 30 June 2010 have been restated for the impact of the five for one share sub-division which took effect in November 2010.

The total market value of all equity-based incentives awarded to Jeff Iliffe under the LTIP, CSOP and SIP in 2010/11 was equivalent to 120% of basic salary and, for the remaining Executive Directors, 100%.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

> properly select and apply accounting policies;

> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

> provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

> make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 UK governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

> the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

> the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Mike Redmond
Chairman
12 September 2011

Jeff Iliffe
Chief Financial Officer
12 September 2011

Independent auditor's report

to the Members of Abcam plc

We have audited the financial statements of Abcam plc for the year ended 30 June 2011 which comprise the Consolidated Income Statement, the Consolidated and parent company Statements of Comprehensive Income, the Consolidated and parent company Statements of Changes in Equity, the Consolidated and parent company Balance Sheets, the Consolidated and parent company Cash Flow Statements and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2011 and of the Group's profit for the year then ended;

> the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Other matters

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a Corporate Governance Statement detailing the extent of their compliance with UK Corporate Governance Code. We reviewed:

> the Directors' statement, contained within the Directors' Report, in relation to going concern;

> the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

> certain elements of the report to shareholders by the Board on Directors' remuneration.

David Halstead (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK
12 September 2011

Consolidated income statement

for the year ended 30 June 2011

	Notes	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Continuing operations			
Revenue	6	**83,272**	71,106
Cost of sales		**(27,239)**	(23,689)
Gross profit		**56,033**	47,417
Administration and management expenses excluding share-based payments charge		**(20,104)**	(17,367)
Share-based payments charge	32	**(985)**	(702)
Total administration and management expenses		**(21,089)**	(18,069)
R&D expenses excluding share-based payments charge		**(3,070)**	(3,577)
Share-based payments charge	32	**(161)**	(124)
Total R&D expenses		**(3,231)**	(3,701)
Operating profit		**31,713**	25,647
Investment revenue	11	**398**	184
Profit before tax		**32,111**	25,831
Tax	13	**(8,306)**	(6,609)
Profit for the year attributable to shareholders	8, 29	**23,805**	19,222
Earnings per share from continuing operations			
Basic	15	**13.23p**	10.76p*
Diluted	15	**12.98p**	10.51p*

* In accordance with IAS 33, EPS for the comparative period has been adjusted retrospectively to account for the five for one share sub-division which took place on 15 November 2010.

Consolidated statement of comprehensive income

for the year ended 30 June 2011

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Profit for the year	**23,805**	19,222
Reserve movements on cash flow hedges	**(1,263)**	(677)
Exchange differences on translation of foreign operations	**(17)**	61
Tax relating to components of other comprehensive income	**2,902**	1,689
Other comprehensive income for the year	**1,622**	1,073
Total comprehensive income for the year	**25,427**	20,295

Consolidated statement of changes in equity

for the year ended 30 June 2011

	Share capital £000	Share premium £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2010	**360**	**12,920**	**(690)**	**247**	**1,806**	**445**	**1,550**	**36,584**	**53,222**
Profit for the year	—	—	—	—	—	—	—	23,805	23,805
Exchange differences on translation of foreign operations	—	—	—	4	(21)	—	—	—	(17)
Movements on cash flow hedges	—	—	—	—	—	(1,263)	—	—	(1,263)
Tax relating to components of other comprehensive income	—	—	—	—	(50)	341	1,086	1,525	2,902
Total comprehensive income for the year	—	—	—	4	(71)	(922)	1,086	25,330	25,427
Issue of share capital	4	2,480	(483)	—	—	—	—	—	2,001
Own shares disposed of on release of shares	—	—	8	—	—	—	—	(8)	—
Share-based payments charge	—	—	—	—	1,146	—	—	—	1,146
Payment of dividends	—	—	—	—	—	—	—	(7,876)	(7,876)
Balance as at 30 June 2011	**364**	**15,400**	**(1,165)**	**251**	**2,881**	**(477)**	**2,636**	**54,030**	**73,920**

	Share capital £000	Share premium £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2009	355	11,558	(301)	197	962	933	1,368	21,396	36,468
Profit for the year	—	—	—	—	—	—	—	19,222	19,222
Exchange differences on translation of foreign operations	—	—	—	50	18	—	(18)	11	61
Movements on cash flow hedges	—	—	—	—	—	(677)	—	—	(677)
Tax relating to components of other comprehensive income	—	—	—	—	—	189	200	1,300	1,689
Total comprehensive income for the year	—	—	—	50	18	(488)	182	20,533	20,295
Issue of share capital	5	1,362	(418)	—	—	—	—	—	949
Own shares disposed of on release of shares	—	—	29	—	—	—	—	(29)	—
Share-based payments charge	—	—	—	—	826	—	—	—	826
Payment of dividends	—	—	—	—	—	—	—	(5,316)	(5,316)
Balance as at 30 June 2010	360	12,920	(690)	247	1,806	445	1,550	36,584	53,222

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 IAS 12.

Consolidated balance sheet

at 30 June 2011

	Notes	30 June 2011 £000	30 June 2010 £000
Non-current assets			
Goodwill	16	**2,062**	—
Intangible assets	17	**2,097**	559
Property, plant and equipment	18	**2,481**	2,895
Deferred tax asset	23	**3,509**	1,417
Derivative financial instruments	22	**21**	127
		10,170	4,998
Current assets			
Inventories	20	**10,695**	9,073
Trade and other receivables	21	**9,910**	8,178
Cash and cash equivalents		**31,932**	17,185
Short-term deposits		**23,637**	23,037
Derivative financial instruments	22	**183**	1,040
		76,357	58,513
Total assets		**86,527**	63,511
Current liabilities			
Trade and other payables	24	**(8,335)**	(6,866)
Current tax liabilities		**(2,891)**	(2,698)
Derivative financial instruments	22	**(799)**	(559)
		(12,025)	(10,123)
Net current assets		**64,332**	48,390
Non-current liabilities			
Deferred tax liability	23	**(430)**	—
Derivative financial instruments	22	**(152)**	(166)
		(582)	(166)
Total liabilities		**(12,607)**	(10,289)
Net assets		**73,920**	53,222
Equity			
Share capital	26	**364**	360
Share premium account	27	**15,400**	12,920
Own shares	28	**(1,165)**	(690)
Translation reserve	29	**251**	247
Share-based payments reserve	29	**2,881**	1,806
Hedging reserve	29	**(477)**	445
Deferred tax reserve	29	**2,636**	1,550
Retained earnings	29	**54,030**	36,584
Total equity attributable to shareholders		**73,920**	53,222

The financial statements of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 12 September 2011.

They were signed on its behalf by:

Jeff Iliffe
Director

Consolidated cash flow statement

for the year ended 30 June 2011

	Notes	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Net cash inflow from operating activities	31	**25,483**	19,722
Investing activities			
Investment income		**291**	176
Proceeds on disposal of property, plant and equipment		**30**	60
Purchase of property, plant and equipment		**(1,038)**	(809)
Purchase of intangible assets		**(147)**	(66)
Acquisition of subsidiary, net of cash acquired	30	**(2,448)**	—
Net cash used in investing activities		**(3,312)**	(639)
Financing activities			
Dividends paid		**(7,876)**	(5,316)
Proceeds on issue of shares		**895**	949
Purchase of own shares		**(4)**	—
Increase in short-term deposits		**(600)**	(23,037)
Net cash used in financing activities		**(7,585)**	(27,404)
Net increase/(decrease) in cash and cash equivalents		**14,586**	(8,321)
Cash and cash equivalents at beginning of year		**17,185**	25,501
Effect of foreign exchange rates		**161**	5
Cash and cash equivalents at end of year		**31,932**	17,185

Company balance sheet

at 30 June 2011

	Notes	30 June 2011 £000	30 June 2010 £000
Non-current assets			
Intangible assets	17	**434**	556
Property, plant and equipment	18	**2,007**	2,462
Investments	19	**4,041**	203
Deferred tax asset	23	**2,656**	986
Derivative financial instruments	22	**21**	127
		9,159	4,334
Current assets			
Inventories	20	**10,474**	9,042
Trade and other receivables	21	**10,843**	9,572
Cash and cash equivalents		**29,942**	15,219
Short-term deposits		**23,637**	23,037
Derivative financial instruments	22	**183**	1,040
		75,079	57,910
Total assets		**84,238**	62,244
Current liabilities			
Trade and other payables	24	**(7,336)**	(6,066)
Current tax liabilities		**(2,876)**	(2,536)
Derivative financial instruments	22	**(799)**	(559)
		(11,011)	(9,161)
Net current assets		**64,068**	48,749
Non-current liabilities			
Derivative financial instruments	22	**(152)**	(166)
Total liabilities		**(11,163)**	(9,327)
Net assets		**73,075**	52,917
Equity			
Share capital	26	**364**	360
Share premium account	27	**15,400**	12,920
Own shares	28	**(1,165)**	(690)
Share-based payments reserve	29	**2,877**	1,731
Hedging reserve	29	**(477)**	445
Deferred tax reserve	29	**2,089**	1,315
Retained earnings	29	**53,987**	36,836
Total equity attributable to shareholders		**73,075**	52,917

The financial statements of Abcam plc, registered number 3509322, were approved by the Board of Directors and authorised for issue on 12 September 2011.

They were signed on its behalf by:

Jeff Iliffe
Director

Company cash flow statement

for the year ended 30 June 2011

	Notes	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Net cash inflow from operating activities	31	**23,493**	15,892
Investing activities			
Investment income		**286**	172
Proceeds on disposal of property, plant and equipment		**30**	60
Purchases of property, plant and equipment		**(922)**	(722)
Purchases of intangible assets		**(141)**	(65)
Acquisition of subsidiary	30	**(2,570)**	—
Dividends received		**2,132**	3,196
Net cash (used in)/arising from investing activities		**(1,185)**	2,641
Financing activities			
Dividends paid		**(7,876)**	(5,316)
Proceeds on issue of shares		**895**	949
Purchase of own shares		**(4)**	—
Increase in short-term deposits		**(600)**	(23,037)
Net cash used in financing activities		**(7,585)**	(27,404)
Net increase/(decrease) in cash and cash equivalents		**14,723**	(8,871)
Cash and cash equivalents at beginning of year		**15,219**	24,090
Cash and cash equivalents at end of year		**29,942**	15,219

Company statement of comprehensive income

for the year ended 30 June 2011

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Profit for the year	**23,929**	20,626
Reserve movements on cash flow hedges	**(1,263)**	(677)
Share-based payments charge recognised on behalf of subsidiaries	**120**	98
Tax relating to components of other comprehensive income	**2,221**	1,346
Other comprehensive income for the year	**1,078**	767
Total comprehensive income for the year	**25,007**	21,393

Company statement of changes in equity

for the year ended 30 June 2011

	Share capital £000	Share premium £000	Own shares £000	Share-based payments reserve[1] £000	Hedging reserve[2] £000	Deferred tax reserve[3] £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2010	360	12,920	(690)	1,731	445	1,315	36,836	52,917
Profit for the year	—	—	—	—	—	—	23,929	23,929
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	120	—	—	—	120
Movements on cash flow hedges	—	—	—	—	(1,263)	—	—	(1,263)
Tax relating to components of other comprehensive income	—	—	—	—	341	774	1,106	2,221
Total comprehensive income for the year	—	—	—	120	(922)	774	25,035	25,007
Issue of share capital	4	2,480	(483)	—	—	—	—	2,001
Own shares disposed of on exercise of share options	—	—	8	—	—	—	(8)	—
Share-based payments charge	—	—	—	1,026	—	—	—	1,026
Payment of dividends	—	—	—	—	—	—	(7,876)	(7,876)
Balance as at 30 June 2011	364	15,400	(1,165)	2,877	(477)	2,089	53,987	73,075

	Share capital £000	Share premium £000	Own shares £000	Share-based payments reserve[1] £000	Hedging reserve[2] £000	Deferred tax reserve[3] £000	Retained earnings £000	Total equity £000
Balance as at 1 July 2009	355	11,558	(301)	908	933	1,196	20,517	35,166
Profit for the year	—	—	—	—	—	—	20,626	20,626
Share-based payments charge recognised on behalf of subsidiaries	—	—	—	98	—	—	—	98
Movements on cash flow hedges	—	—	—	—	(677)	—	—	(677)
Tax relating to components of other comprehensive income	—	—	—	—	189	119	1,038	1,346
Total comprehensive income for the year	—	—	—	98	(488)	119	21,664	21,393
Issue of share capital	5	1,362	(418)	—	—	—	—	949
Own shares disposed of on exercise of share options	—	—	29	—	—	—	(29)	—
Share-based payments charge	—	—	—	725	—	—	—	725
Payment of dividends	—	—	—	—	—	—	(5,316)	(5,316)
Balance as at 30 June 2010	360	12,920	(690)	1,731	445	1,315	36,836	52,917

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 IAS 12.

Notes to the consolidated financial statements

for the year ended 30 June 2011

1. General information

Abcam plc (the Company) is incorporated in the UK under the Companies Act 2006. The address of the registered office is 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK.

The Group is a producer and distributor of high quality research-grade antibodies and associated protein research tools. The Group operates through its parent company Abcam plc and through its wholly owned subsidiaries Abcam Inc, Abcam KK, Abcam (Hong Kong) Limited and MitoSciences Inc, allowing it to serve a global customer base of over 88 countries.

2. Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

Standards affecting the financial statements

IFRS 3 (2008) *Business Combinations*

IAS 27 (2008) *Consolidated and Separate Financial Statements*

These standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate. IFRS 3 (2008) has also introduced additional disclosure requirements for acquisitions. See note 30 for more details.

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRIC 17 *Distributions of Non-cash Assets to Owners*

The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled.

The following amendments were made as part of Improvements to IFRSs (2009).

Amendment to IFRS 2 *Share-based Payment*

IFRS 2 has been amended, following the issue of IFRS 3 (2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions is not within the scope of IFRS 2. The Group has not entered into such transactions therefore the amendment does not impact these financial statements.

Amendment to IAS 17 *Leases*

IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17. The Group continues to classify the lease of land and buildings as an operating lease and therefore this amendment does not impact these financial statements.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*

IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard. The Group has not entered into any such contracts and therefore this amendment does not impact these financial statements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

2. Adoption of new and revised standards continued

Standards not affecting the reported results nor the financial position continued

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement continued*

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 (and in some cases had not yet been adopted by the EU):

IFRS 9 (November 2009, revised October 2010)	Financial Instruments: Classification and Measurement
IFRS 10 (May 2011)	Consolidated Financial Statements
IFRS 11 (May 2011)	Joint Arrangements
IFRS 12 (May 2011)	Disclosures of Interests in Other Entities
IFRS 13 (May 2011)	Fair Value Measurement
IAS 27 (May 2011)	Separate Financial Statements
IAS 28 (May 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7 (October 2010)	Transfers of Financial Assets
Amendments to IAS 12 (December 2010)	Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 1 (December 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
Improvements to IFRSs (May 2010)	

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRSs. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand Pounds (£000) except when otherwise indicated. The principal accounting policies adopted are set out in the next few pages.

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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values at the date of exchange of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred.

3. Significant accounting policies continued

Business combinations continued

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the recognition criteria under IFRS 3 (2008) are measured at their fair values at the date of acquisition, except that:

> Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

> Liabilities or equity instruments relating to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

> Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured as per that Standard.

Investments in subsidiaries are accounted for at cost less impairment. Where applicable, cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is reviewed and tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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 despatched and title has passed.

Sales of goods that result in award credits for customers, under the Abpoints Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Revenue derived from the Company's conferences is recognised when the conference is held; however, it is not material.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

3. Significant accounting policies continued

Leasing

Leases are classified as finance 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 as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

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 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 that are denominated in foreign currencies 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.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the results of the operations of the Company's overseas subsidiaries, Abcam Inc, Abcam KK, Abcam (Hong Kong) Limited and MitoSciences Inc, are translated at the monthly average exchange rates during the period and their balance sheets at the rates prevailing 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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the nature of the Group's obligations under the schemes is equivalent to those arising in a defined contribution retirement benefit scheme.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant accounting policies continued

Taxation continued

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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets

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

Expenditure on development activities is recognised as an asset if and only if it meets the recognition criteria set out in IAS 38 Intangible Assets.

Payments made to acquire software, distribution rights and contract-based intangibles from third parties are capitalised at cost and amortised on a straight-line basis over their estimated minimum useful lives. The minimum useful life is determined to be three years in the case of software, the term of the deal in the case of distribution rights and the length of the contract for contract-based intangibles.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Investments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and an attributable portion of production overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

3. Significant accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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 uncollectable, 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.

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are measured at amortised cost.

Equity instruments

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

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.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

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

Hedge accounting

The Group designates certain derivatives as either hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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 fair values or cash flows of the hedged item.

Cash flow hedges

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 and is included in the 'administration and management expenses' line of the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

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. 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

3. Significant accounting policies continued

Share-based payments

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

Incentives in the form of shares are provided to employees under share option, SIP and LTIP. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of 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.

Fair value of options issued under the Group's share option schemes is measured by the use of the Monte Carlo Simulation.

Fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo Simulation for the TSR portion and the Black Scholes Model for the EPS portion.

Fair value of an equity-settled payment under the SIP is measured as the face value of the award on the date of grant.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to retained earnings.

The Group operates an employee benefit trust as part of its incentive plans for employees. All assets and liabilities of the trust are recorded in the balance sheet as assets and liabilities of the Company until such time as the assets are awarded to the beneficiaries. All income and expenditure of the trust is similarly brought into the results of the Company.

Own shares

Own equity instruments which are acquired are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of 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 goodwill and other intangible assets and other similar evaluations. Actual amounts may 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangibles

As part of the business combination during the year, the Group acquired a contract-based intangible asset. The Group reviews the carrying amount of all intangible assets held at each balance sheet date and no impairment was considered necessary for this asset. However, subsequent to the review in the prior year of the remaining product line acquisition deals resulting in the recognition of an impairment loss, a further loss of £38,000 has been recognised at the balance sheet date (2010: £147,000).

Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis or more frequently when there are indications of possible impairment. The impairment review requires a value in use calculation of the cash-generating units to which the goodwill is allocated. In estimating the value in use, management is required to make an estimate of the expected future cash flows attributable to the cash-generating unit and to choose an appropriate discount rate to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2011 was £2,062,000 (2010: £nil). Further details are given in note 16.

Fair value of derivatives and other financial instruments

As described in note 25, 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

4. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

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 and normal levels of activity.

Provision for slow moving or defective inventory

The provision for slow moving or defective inventory is based on management's estimation of the commercial life and shelf life of inventory lines. In assessing this, management takes into consideration the sales history of products and the length of time that they have been available for resale.

5. Income statement for the Company

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year. Abcam plc reported a profit for the year ended 30 June 2011 of £23,929,000 (2010: £20,626,000).

6. Revenue

An analysis of the Group's revenue, all of which derives from continuing operations, is as follows:

	Note	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Sales of goods		**83,272**	71,106
Investment revenue	11	**398**	184
		83,670	71,290

7. Operating segments

Products and services from which reportable segments derive their revenues

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. The information reported to the Group's Chief Executive Officer, who is considered the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is 'sales of antibodies and related products'. The Group's revenue and results and assets for this one reportable segment can be determined by reference to the Group's income statement and balance sheet.

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

Geographical information

The Group's revenue from external customers and information about its non-current segment assets (excluding deferred tax and derivative financial instruments) by geographical location is detailed below:

	Revenue		Non-current assets	
	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000	As at 30 June 2011 £000	As at 30 June 2010 £000
US	**34,374**	29,762	**2,094**	370
Japan	**8,998**	6,771	**33**	52
Germany	**6,474**	5,664	**—**	—
UK	**6,278**	5,632	**4,496**	3,017
Other countries	**27,148**	23,277	**17**	15
	83,272	71,106	**6,640**	3,454

Revenues are attributed to countries on the basis of the customer's location. No country included within 'Other countries' contributes more than 5% of the Group's total revenue.

8. Profit for the year

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

	Notes	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Foreign exchange differences arising on financial instruments at fair value through profit or loss		**(74)**	545
Other net foreign exchange gains		**(725)**	(983)
R&D expenditure		**3,231**	3,701
Operating lease rentals – land and buildings	12	**905**	838
Depreciation of property, plant and equipment	18	**1,380**	1,352
Loss on disposal of property, plant and equipment		**8**	32
Amortisation of intangible assets included within administration and management expenses	17	**210**	180
Impairment loss on intangible assets included within administration and management expenses	17	**38**	147
Cost of inventories recognised as an expense		**26,310**	22,491
Write down of inventories recognised as an expense		**929**	1,198
Staff costs	10	**14,656**	12,437
Impairment loss/(gain) recognised on trade receivables	21	**42**	(48)
Auditor's remuneration	9	**164**	143

9. Auditor's remuneration

A detailed analysis of the auditor's remuneration on a worldwide basis is provided below:

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**75**	69
Fees payable to the Company's auditor for other services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	**3**	3
Total audit fees	**78**	72
– other services pursuant to legislation	**16**	15
– tax services	**17**	19
– corporate finance services	**30**	—
– other services[1]	**23**	37
Total non-audit fees	**86**	71
Total auditor's remuneration	**164**	143

[1] Other services relates to training provided by the not for profit organisation Cambridge Network Limited and its subsidiaries. This is disclosed due to the audit partner also being a director of the Cambridge Network Limited. Consistent with the not for profit status, neither the audit partner nor Deloitte receive any remuneration in relation to this arrangement.

10. Staff costs

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

	Group		Company	
	Year ended 30 June 2011 Number	Year ended 30 June 2010 Number	Year ended 30 June 2011 Number	Year ended 30 June 2010 Number
Management, administrative, marketing and distribution	**245**	204	**156**	131
Laboratory	**52**	49	**50**	49
	297	253	**206**	180

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

10. Staff costs continued

Their aggregate remuneration comprised:

	Group		Company	
	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000	**Year ended 30 June 2011 £000**	Year ended 30 June 2010 £000
Wages and salaries	**11,131**	9,701	**7,556**	6,930
Social security costs	**1,247**	861	**717**	505
Pension costs	**1,132**	1,049	**1,012**	953
Charge in respect of share options granted	**1,146**	826	**1,027**	725
	14,656	12,437	**10,312**	9,113

11. Investment revenue

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Interest on cash and short-term deposits	**398**	184

12. Operating lease arrangements

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Minimum lease payments under operating leases recognised as an expense in the year:		
– land and buildings	**905**	838

At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, all of which relate to land and buildings, which fall due as follows:

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	**30 June 2011 £000**	30 June 2010 £000
Within one year	**1,551**	1,178	**765**	712
In the second to fifth years inclusive	**4,325**	2,519	**1,870**	1,446
After five years	**388**	—	**131**	—
	6,264	3,697	**2,766**	2,158

The above table reflects the committed cash payments under operating leases, rather than the expected charge to the income statement in the relevant periods. The effect on the income statement will differ to the above figures to the extent of the amortisation of a £1.1m lease incentive received on signing of a new lease in 2008/09, and also the amortisation of the rent-free period included in the same lease agreement. The expected charge in 2011/12 on these operating leases is expected to be £1.2m for the Group and £0.4m for the Company.

13. Tax

	Note	**Year ended 30 June 2011 £000**	Year ended 30 June 2010 £000
Current tax		**8,972**	6,919
Deferred tax	23	**(666)**	(310)
		8,306	6,609

Corporation tax is calculated at 27.5% (2010: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011 which became substantively enacted in March 2011.

13. Tax continued

The UK Government also announced a further reduction in the standard rate of corporation tax to 25% effective 1 April 2012 which was substantively enacted in July 2011, and has proposed further reductions by 1% per annum to 23% by 1 April 2014. These further tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in these financial statements.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

The impact of the rate reduction, which will be reflected in the next reporting period, is estimated to reduce the UK deferred tax asset and liability provided at 30 June 2011 by £102,000 and £17,000 respectively.

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

	Year ended 30 June 2011 £000	Year ended 30 June 2011 %	Year ended 30 June 2010 £000	Year ended 30 June 2010 %
Profit before tax	32,111		25,831	
Tax at the UK corporation tax rate of 27.5% (2010: 28%)	8,831	27.5%	7,233	28.0%
Effect of different tax rates of subsidiaries operating in different jurisdictions	350	1.1%	253	1.0%
Tax effect of expenses that are not deductible in determining taxable profit	67	0.2%	12	0.0%
R&D tax credit uplift	(812)	(2.5)%	(918)	(3.5)%
Prior year adjustments	(142)	(0.4)%	29	0.1%
Effect of difference between closing deferred tax rate and current tax rate	12	0.0%	—	—
Tax expense and effective rate for the year	8,306	25.9%	6,609	25.6%

14. Dividends

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 June 2010 of 2.922 pence* (2009: 1.880 pence*) per share	5,256	3,369
Interim dividend for the year ended 30 June 2011 of 1.450 pence (2010: 1.084 pence) per share	2,620	1,947
Total distributions to equity holders in the period	7,876	5,316
Proposed final dividend for the year ended 30 June 2011 of 3.800 pence (2010: 2.922 pence*) per share	6,906	5,252

* Comparatives have been rebased to reflect the five for one share sub-division which took place on 15 November 2010.

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

15. Earnings per share

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

	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent company	23,805	19,222
Number of shares*		
Weighted average number of ordinary shares for the purposes of basic EPS	179,865,322	178,567,935
Effect of dilutive potential ordinary shares:		
– share options	3,541,456	4,308,985
Weighted average number of ordinary shares for the purposes of diluted EPS	183,406,778	182,876,920

* Comparatives have been rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. Diluted EPS is calculated on the same basis as basic EPS 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

16. Goodwill

	Note	£000
Cost		
At 1 July 2010		—
Recognised on acquisition of subsidiary	30	2,062
At 30 June 2011		**2,062**
Accumulated impairment losses		
At 1 July 2010 and 30 June 2011		—
Carrying amount		
At 30 June 2010		—
At 30 June 2011		**2,062**

Goodwill has been allocated to one cash-generating unit (CGU) being the MitoSciences business acquired on 23 May 2011 (see note 30).

The Group performs an annual test for impairment or more frequently if there are any indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions considered most sensitive for the value in use calculations are those regarding the discount rates, growth rates and anticipated movements in selling prices and direct costs during the period.

Management has projected cash flows based on financial forecasts over a period of four years. No growth rate has been used in the extrapolation of cash flows beyond the four years. A discount rate of 11% has been estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

Management has performed sensitivity analysis on the key assumptions mentioned above. The results of this analysis indicate that reasonable changes in the key assumptions would not result in the carrying amount of goodwill to exceed its recoverable amount. As such, no impairment of goodwill has been recognised at the balance sheet date.

17. Intangible assets

Group

	Up front licence fees £000	Distribution rights £000	Software £000	Contract-based £000	Total £000
Cost					
At 1 July 2009	262	1,393	162	—	1,817
Additions	60	—	33	—	93
At 1 July 2010	322	1,393	195	—	1,910
Additions	65	—	53	—	118
Acquisition of subsidiary	—	—	2	1,666	1,668
At 30 June 2011	**387**	**1,393**	**250**	**1,666**	**3,696**
Amortisation and impairment					
At 1 July 2009	180	801	43	—	1,024
Charge for the year	47	77	56	—	180
Impairment loss	—	147	—	—	147
At 1 July 2010	227	1,025	99	—	1,351
Charge for the year	66	64	69	11	210
Impairment loss	—	38	—	—	38
At 30 June 2011	**293**	**1,127**	**168**	**11**	**1,599**
Carrying amount					
At 30 June 2010	95	368	96	—	559
At 30 June 2011	**94**	**266**	**82**	**1,655**	**2,097**

17. Intangible assets continued

Company

	Up front licence fees £000	Distribution rights £000	Software £000	Total £000
Cost				
At 1 July 2009	262	1,393	161	1,816
Additions	60	—	31	91
At 1 July 2010	322	1,393	192	1,907
Additions	65	—	48	113
At 30 June 2011	**387**	**1,393**	**240**	**2,020**
Amortisation and impairment				
At 1 July 2009	180	801	43	1,024
Charge for the year	47	77	56	180
Impairment loss	—	147	—	147
At 1 July 2010	227	1,025	99	1,351
Charge for the year	66	64	67	197
Impairment loss	—	38	—	38
At 30 June 2011	**293**	**1,127**	**166**	**1,586**
Carrying amount				
At 30 June 2010	95	368	93	556
At 30 June 2011	**94**	**266**	**74**	**434**

The amortisation period for the upfront licence fees and software is three years. The amortisation period for the distribution rights and contract-based intangibles is the term of the agreement. After reviewing the circumstances surrounding the remaining product line acquisition deals, it was considered that the carrying value of certain of these intangible assets was no longer supportable due to a concern over the security of supply of products subject to those agreements. An impairment loss of £38,000 (2010: £147,000) has been recognised in the year to take account of the recoverable amount of the contracts.

The contract-based intangible relates to an agreement with the University of Oregon, under which the university supplies monoclonal antibodies to MitoSciences, who has full rights and entitlement to commercially exploit these materials in exchange for an ongoing fee. The remaining amortisation period is 13 years, being the remaining term of the agreement.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

18. Property, plant and equipment

Group

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas £000	Total £000
Cost					
At 1 July 2009	743	5,384	1,404	53	7,584
Additions	252	321	150	35	758
Exchange differences	24	33	63	—	120
Disposals	—	(140)	—	—	(140)
At 1 July 2010	1,019	5,598	1,617	88	8,322
Additions	196	554	35	96	881
Acquisition of subsidiary	—	128	18	—	146
Exchange differences	(14)	(24)	(42)	—	(80)
Disposals	—	(49)	(28)	—	(77)
At 30 June 2011	**1,201**	**6,207**	**1,600**	**184**	**9,192**
Accumulated depreciation					
At 1 July 2009	527	3,088	397	31	4,043
Charge for the year	178	899	261	14	1,352
Exchange differences	19	24	37	—	80
Eliminated on disposals	—	(48)	—	—	(48)
At 1 July 2010	724	3,963	695	45	5,427
Charge for the year	178	884	278	40	1,380
Exchange differences	(10)	(19)	(28)	—	(57)
Eliminated on disposals	—	(19)	(20)	—	(39)
At 30 June 2011	**892**	**4,809**	**925**	**85**	**6,711**
Carrying amount					
At 30 June 2010	295	1,635	922	43	2,895
At 30 June 2011	**309**	**1,398**	**675**	**99**	**2,481**

18. Property, plant and equipment continued

Company

	Computer equipment £000	Laboratory equipment £000	Office equipment, fixtures and fittings £000	Hybridomas £000	Total £000
Cost					
At 1 July 2009	542	5,056	817	53	6,468
Additions	208	297	111	35	651
Disposals	—	(140)	—	—	(140)
At 1 July 2010	750	5,213	928	88	6,979
Additions	143	501	24	96	764
Disposals	—	(49)	—	—	(49)
At 30 June 2011	**893**	**5,665**	**952**	**184**	**7,694**
Accumulated depreciation and impairment					
At 1 July 2009	397	2,895	91	31	3,414
Charge for the year	128	834	175	14	1,151
Eliminated on disposals	—	(48)	—	—	(48)
At 1 July 2010	525	3,681	266	45	4,517
Charge for the year	133	810	206	40	1,189
Eliminated on disposals	—	(19)	—	—	(19)
At 30 June 2011	**658**	**4,472**	**472**	**85**	**5,687**
Carrying amount					
At 30 June 2010	225	1,532	662	43	2,462
At 30 June 2011	**235**	**1,193**	**480**	**99**	**2,007**

19. Investments

The Company's subsidiaries at 30 June 2011 are:

	Country of incorporation	Proportion of shares held	Proportion of voting power held
Abcam Inc	US	100%	100%
Abcam KK	Japan	100%	100%
Abcam (Hong Kong) Limited	Hong Kong	100%	100%
Abcam Employee Share Benefit Trust Limited	UK	100%	100%
Camgene Limited (Dormant)	UK	100%	100%
MitoSciences Inc	US	100%	100%

Abcam Inc, Abcam KK, Abcam (Hong Kong) Limited and MitoSciences Inc are involved in the sale and distribution of antibodies and related products. MitoSciences Inc also develops and manufactures related products for use in metabolism research. The Abcam Employee Share Benefit Trust Limited holds in trust the shares purchased on behalf of employees participating in the Share Incentive Plan. Camgene Limited is dormant.

Analysis of changes in investments

	Note	£000
At 1 July 2009		105
Additions*		98
At 1 July 2010		203
Additions*		120
Addition relating to acquisition of subsidiary	30	3,718
At 30 June 2011		**4,041**

* These additions represent share-based payment charges for share options issued by the Company to employees of the subsidiaries.

Investments are held at cost less provision for impairment.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

20. Inventories

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	30 June 2011 £000	30 June 2010 £000
Raw materials	30	—	—	—
Work in progress	60	—	—	—
Finished goods	10,605	9,073	10,474	9,042
	10,695	9,073	10,474	9,042

21. Financial assets

Trade and other receivables

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	30 June 2011 £000	30 June 2010 £000
Amounts receivable for the sale of goods	8,267	7,074	3,430	2,873
Allowance for doubtful debts	(323)	(297)	(124)	(107)
	7,944	6,777	3,306	2,766
Amounts owed by subsidiary undertakings	—	—	6,408	5,826
Other debtors	886	665	373	391
Prepayments	1,080	736	756	589
	9,910	8,178	10,843	9,572

Trade receivables

The average credit period taken for sales is 35.0 days (2010: 32.6 days). No interest has been 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 receivables over 90 days past due because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable. Trade receivables between 30 days and 90 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. No customer represents more than 5% of the total balance of trade receivables.

The analysis below shows 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. Neither the Group nor Company holds any collateral or other credit enhancements over these balances, nor do they have a legal right to offset against any amounts owed to the counterparty.

Ageing of past due but not impaired receivables

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	30 June 2011 £000	30 June 2010 £000
0 to 30 days overdue	1,302	1,366	378	589
30 to 60 days overdue	151	133	—	—
	1,453	1,499	378	589

21. Financial assets continued

Trade receivables continued

Movement in the allowance for doubtful debts

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	**30 June 2011 £000**	30 June 2010 £000
Balance at the beginning of the year	**(297)**	(305)	**(107)**	(115)
Impairment (losses)/gains recognised through income statement	**(42)**	48	**(28)**	14
Exchange differences on translation of foreign operations	**12**	(16)	**—**	—
Amounts written off as uncollectable	**24**	19	**11**	9
Amounts recovered during the year	**(20)**	(43)	**—**	(15)
Balance at the end of the year	**(323)**	(297)	**(124)**	(107)

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.

Ageing of impaired receivables

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	**30 June 2011 £000**	30 June 2010 £000
0 to 30 days overdue	**79**	44	**25**	2
30 to 60 days overdue	**152**	163	**68**	71
60 to 90 days overdue	**39**	42	**16**	13
More than 90 days overdue	**53**	48	**15**	21
	323	297	**124**	107

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

22. Derivative financial instruments

Group and Company: 30 June 2011

	Current		Non-current		
	Asset £000	**Liability £000**	**Asset £000**	**Liability £000**	**Total £000**
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	**60**	**(573)**	**21**	**(152)**	**(644)**
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	**123**	**(226)**	**—**	**—**	**(103)**
	183	**(799)**	**21**	**(152)**	**(747)**

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

22. Derivative financial instruments continued

Group and Company: 30 June 2010

	Current		Non-current		
	Asset £000	Liability £000	Asset £000	Liability £000	Total £000
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	859	(201)	127	(166)	619
Derivatives carried at fair value through profit and loss (FVTPL)					
Forward exchange contracts that are not designated in hedge accounting relationships	181	(358)	—	—	(177)
	1,040	(559)	127	(166)	442

Further details of derivative financial instruments are provided in note 25.

23. Deferred tax

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

Group

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payment £000	Other timing differences £000	Total £000
At 30 June 2009	(401)	(363)	979	120	335
Credit/(charge) to income	161	—	243	(94)	310
(Charge)/credit to equity	(3)	189	569	17	772
At 30 June 2010	(243)	(174)	1,791	43	1,417
Acquisition of subsidiary	(18)	—	—	(406)	(424)
Credit to income	142	—	291	233	666
Credit to equity	—	341	1,086	—	1,427
Exchange differences	2	—	(4)	(5)	(7)
At 30 June 2011	**(117)**	**167**	**3,164**	**(135)**	**3,079**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 June 2011 £000	30 June 2010 £000	30 June 2009 £000
Deferred tax assets	**3,509**	1,417	335
Deferred tax liabilities	**(430)**	—	—
	3,079	1,417	335

The deferred tax liability of £430,000 (2010: £nil) has been recognised in relation to the acquired contract-based intangible asset as a result of the acquisition of MitoSciences Inc (note 30). Amounts released from this liability during the period were £3,000 (2010: £nil), representing the decrease of the deferred tax liability in line with amortisation charged against the carrying value of the associated intangible asset.

23. Deferred tax continued

Company

	Accelerated tax depreciation £000	Cash flow hedges £000	Share-based payment £000	Other timing differences £000	Total £000
At 30 June 2009	(353)	(363)	885	(10)	159
Credit/(charge) to income	134	—	204	(86)	252
Credit to equity	—	189	386	—	575
At 30 June 2010	(219)	(174)	1,475	(96)	986
Credit to income	157	—	267	131	555
Credit to equity	—	341	774	—	1,115
At 30 June 2011	**(62)**	**167**	**2,516**	**35**	**2,656**

At the balance sheet date, there are no aggregate temporary differences associated with undistributed earnings of subsidiaries for which a deferred tax liability has not been recognised (2010: £nil). No temporary differences exist in the current year as a result of a change to the UK tax legislation which largely exempts dividends from UK tax if received on or after 1 July 2009. The Directors believe that all dividends to be paid by the Company's subsidiaries will meet the criteria for exemption from UK tax.

24. Other financial liabilities

Trade and other payables

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	**30 June 2011 £000**	30 June 2010 £000
Amounts falling due within one year				
Trade payables	**3,534**	2,555	**3,160**	2,278
Amounts owed to subsidiary undertakings	**—**	—	**431**	306
Accruals and deferred income	**4,515**	3,870	**3,479**	3,192
Deferred creditor	**—**	48	**—**	48
Other taxes and social security	**271**	257	**265**	240
Other creditors	**15**	136	**1**	2
	8,335	6,866	**7,336**	6,066

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. At 30 June 2011, the Group had an average of 37 days of purchases (2010: 29 days) outstanding in trade creditors (excluding accruals and deferred income). 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 Directors consider that the carrying amount of trade and other payables approximates to their fair value.

The deferred creditor represented the earn-out payable on sales of products under a distribution agreement. The liability has now been fully satisfied.

25. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders. 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.

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 note 3. Foreign exchange contracts are measured using quoted forward exchange rates and the yield curves derived from quoted interest rates matching maturities of these contracts.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

25. Financial instruments continued

Categories of financial instruments

	Group carrying value		Company carrying value	
	30 June 2011 £000	30 June 2010 £000	30 June 2011 £000	30 June 2010 £000
Financial assets				
Loans and receivables				
Amounts owed by subsidiary undertakings	—	—	6,408	5,826
Trade receivables	7,944	6,777	3,306	2,766
VAT recoverable (included in other debtors)	515	534	361	387
	8,459	7,311	10,075	8,979
Cash and cash equivalents				
Cash and cash equivalents and short-term deposits	55,569	40,222	53,578	38,256
Loans and receivables (including cash and cash equivalents)	64,028	47,533	63,653	47,235
Financial liabilities				
Other financial liabilities at amortised cost				
Trade and other payables*	(3,820)	(2,948)	(3,426)	(2,826)
Current tax liabilities	(2,891)	(2,698)	(2,876)	(2,536)
Amortised cost	(6,711)	(5,646)	(6,302)	(5,362)

* Financial liabilities at amortised cost within trade and other payables consist of trade payables, intercompany payables, other taxes and other payables.

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.

Fair value measurements recognised in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value have been classified using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

> Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

> Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

> Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

The Group's derivatives meet the definition of Level 2, as outlined above. There were no transfers between Level 1 and 2 during the year.

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 a 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 intra-group balances are 30 days. Any variation in these terms requires authorisation by senior management. Year-end debtor days are 35.0 days (2010: 32.6 days). 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 35.0 days, as well as observable changes in international or local economic conditions.

The standard payment terms for intra-group receivables are 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.

25. Financial instruments continued

Risk in relation to the use of financial instruments continued

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 US Dollars, Euros and Japanese Yen.

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, not denominated in the local functional currency, are as follows:

	Liabilities		Assets	
	30 June 2011 £000	30 June 2010 £000	**30 June 2011 £000**	30 June 2010 £000
Euros	**(179)**	(202)	**2,493**	1,944
US Dollars	**(2,074)**	(1,144)	**6,030**	5,593
Japanese Yen	**(49)**	(30)	**1,794**	1,279
Hong Kong Dollars	**(4)**	—	**56**	55
	(2,306)	(1,376)	**10,373**	8,871

Foreign currency sensitivity analysis

The Group's principal functional currency is Sterling. The Group is mainly exposed to US Dollars and Euros but has an increasing exposure to Japanese Yen. Since opening an office in Hong Kong, the Group is also exposed to Hong Kong Dollars. This exposure is not considered material and hence is not included in the analysis below.

The following table details the Group's sensitivity to an 8% increase and decrease in the Sterling exchange rate against the relevant foreign currencies on the Group's profit before tax and equity. 8% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and forward exchange contracts in the balance sheet at the end of the relevant accounting period and adjusts their translation at the period end for an 8% change in foreign currency rates. It does not represent the overall impact on Group profitability if the exchange rate sensitivity had been applied through the reporting period. A positive number indicates an increase in profit or equity.

	Yen currency impact		Euro currency impact		US Dollar currency impact	
	2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Effect of an 8% strengthening in relevant exchange rate on:						
Profit or loss	**—**	—	**—**	—	**—**	237
Other equity	**407**	385	**1,305**	1,051	**785**	594
Effect of an 8% weakening in relevant exchange rate on:						
Profit or loss	**—**	—	**—**	(1)	**—**	(279)
Other equity	**(478)**	(453)	**(1,532)**	(1,234)	**(922)**	(697)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since it is limited to the year-end exposure and does not reflect the exposure during the year.

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 out to 15 months within 30% to 80% of the exposure generated. Upon maturity of a forward exchange contract, the Group may enter into a new contract designated as a separate hedging relationship.

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

25. Financial instruments continued

Forward exchange contracts continued

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

Outstanding contracts	Average rate 30 June 2011	Foreign currency 30 June 2011 000	Contract value 30 June 2011 £000	Fair value 30 June 2011 £000
Sell US Dollars				
Less than 3 months	1.55	$5,400	3,482	115
3 to 6 months	1.59	$4,385	2,759	23
7 to 12 months	1.59	$9,173	5,778	43
13 to 15 months	1.58	$4,352	2,747	21
	1.58	$23,310	14,766	202
Sell Euros				
Less than 3 months	1.17	€4,618	3,934	(235)
3 to 6 months	1.15	€4,297	3,726	(147)
7 to 12 months	1.16	€9,028	7,808	(309)
13 to 15 months	1.16	€4,208	3,634	(140)
	1.16	€22,151	19,102	(831)
Sell Yen				
Less than 3 months	137.24	¥244,476	1,781	(108)
3 to 6 months	128.48	¥170,555	1,328	7
7 to 12 months	128.91	¥356,772	2,768	(5)
13 to 15 months	129.29	¥161,536	1,249	(12)
	130.98	¥933,339	7,126	(118)
Total of outstanding forward contracts			40,994	(747)

Outstanding contracts	Average rate 30 June 2010	Foreign currency 30 June 2010 000	Contract value 30 June 2010 £000	Fair value 30 June 2010 £000
Sell US Dollars				
Less than 3 months	1.51	$4,650	3,079	(28)
3 to 6 months	1.52	$4,935	3,250	(48)
7 to 12 months	1.52	$10,125	6,665	(101)
13 to 15 months	1.53	$3,740	2,444	(56)
	1.52	$23,450	15,438	(233)
Sell Euros				
Less than 3 months	1.14	$4,200	3,692	247
3 to 6 months	1.14	$3,475	3,046	194
7 to 12 months	1.14	$7,900	6,954	462
13 to 15 months	1.18	$3,825	3,242	96
	1.15	$19,400	16,934	999
Sell Yen				
Less than 3 months	156.30	¥75,000	480	(86)
3 to 6 months	137.52	¥170,376	1,239	(50)
7 to 12 months	137.19	¥360,652	2,629	(108)
13 to 15 months	137.24	¥244,476	1,781	(80)
	138.77	¥850,504	6,129	(324)
Total of outstanding forward contracts			38,501	442

At 30 June 2011, the fair value of contracts held as cash flow hedges is £644,000 (2010: £619,000). The remaining contracts are not held as cash flow hedges.

25. Financial instruments continued

Forward exchange contracts continued

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, 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 twelve months. At 30 June 2011, the average maturity of balances was 83 days (2010: 146 days) of fixed rate deposits not sensitive to changes in interest rates. Sufficient funds are readily available to the Company to meet operational requirements.

Trade payables are normally payable within 30 days of invoice and the standard payment terms for intra-group receivables are 45 days.

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
Group					
2011					
Trade payables	—	(3,296)	(237)	(1)	(3,534)
Accruals and deferred income	—	(2,764)	(163)	(1,588)	(4,515)
		(6,060)	(400)	(1,589)	(8,049)
Company					
2011					
Trade payables	—	(2,981)	(177)	(2)	(3,160)
Accruals and deferred income	—	(2,377)	(108)	(994)	(3,479)
		(5,358)	(285)	(996)	(6,639)

	Weighted average interest rate %	On demand 1 month £000	1 to 3 months £000	3 months to 1 year £000	Total £000
Group					
2010					
Trade payables	—	(2,535)	(14)	(6)	(2,555)
Accruals and deferred income	—	(2,982)	(266)	(622)	(3,870)
		(5,517)	(280)	(628)	(6,425)
Company					
2010					
Trade payables	—	(2,264)	(10)	(4)	(2,278)
Accruals and deferred income	—	(2,680)	(179)	(333)	(3,192)
		(4,944)	(189)	(337)	(5,470)

Interest rate risk sensitivity analysis

An increase of 0.25% in the average interest rate during the year would have resulted in an increase in interest received by the Group of £120,000 (2010: £82,000) and by the Company of £115,000 (2010: £78,000). A decrease of 0.25% in the average interest rate during the year would have resulted in a reduction in interest received by the Group of £120,000 (2010: £82,000) and by the Company of £115,000 (2010: £78,000). There would have been no effect on equity reserves.

The average cash and short-term deposits balance throughout the year has been used as the basis for the calculations. A 0.25% increase or decrease in interest rates represents management's assessment of the reasonably possible change in interest rates.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

26. Share capital

Group and Company

	30 June 2011 £000	30 June 2010 £000
Authorised:		
500,000,000 ordinary shares of 0.2 pence each*	**1,000**	1,000
Issued and fully paid:		
181,724,652 (2010:179,753,210*) ordinary shares of 0.2 pence each	**364**	360

The movement during the year on the Company's issued and fully paid shares was as follows:

	2011 Number*	2011 £000	2010 £000
Balance at beginning of year	**179,753,210**	**360**	355
Issue of share capital	**1,971,442**	**4**	5
Balance at end of year	**181,724,652**	**364**	360

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

The Company has one class of ordinary shares which carry no right to fixed income.

The five for one sub-division of Abcam's ordinary shares of 1 pence each, approved by shareholders at the AGM on 1 November 2010, became effective on 15 November 2010. The sub-division has reduced the market price and increased the number of shares in issue. Immediately following the sub-division the Company had a total of 180,394,820 ordinary shares of 0.2 pence each in issue, compared to a total of 36,078,964 ordinary shares of 1 pence each prior to the sub-division.

During the year the Company issued 0.2 pence ordinary shares as follows:

Date issued	Number of shares	Exercise price £	Total paid £
September 2010	32,400	0.125	4,050
September 2010	32,400	0.050	1,620
September 2010	33,240	0.681	22,636
September 2010	9,205	0.676	6,224
October 2010	2,780	0.560	1,557
November 2010	519,375	0.624	324,090
November 2010	1,640	0.560	918
November 2010	10,000	0.050	500
November 2010	570	0.650	370
December 2010	113,598*	3.450	391,913
December 2010	22,323*	3.900	87,060
December 2010	83,046	0.624	51,821
March 2011	197,045	0.624	122,956
March 2011	42,330	0.560	23,705
March 2011	60,510	0.498	30,134
March 2011	51,800	0.125	6,475
March 2011	22,500	0.647	14,560
April 2011	101,304	0.624	63,214
April 2011	4,855	0.560	2,719
April 2011	2,500	0.050	125
May 2011	37,705	0.630	23,754
May 2011	306,940	0.624	191,531
May 2011	279,521**	3.971	1,109,978
June 2011	3,855	0.498	1,920
	1,971,442		2,483,830

* New shares issued and held by the employee benefit trust to satisfy the Company's obligations under the Free Shares and Matching Shares elements of the SIP.

** Shares issued as part consideration for the acquisition of MitoSciences Inc. For further details refer to note 30.

All shares issued prior to 15 November 2010 have been rebased to reflect the five for one share sub-division.

Further details of the Company's share option schemes are provided in note 32.

27. Share premium
Group and Company

	£000
Balance at 1 July 2009	11,558
Premium arising on issue of equity shares	1,362
Balance at 1 July 2010	12,920
Premium arising on issue of equity shares	2,480
Balance at 30 June 2011	**15,400**

There were no costs of issue incurred during the year or the previous year.

28. Own shares
Group and Company

	£000
Balance at 1 July 2010	(690)
Acquired in the period	(483)
Disposed of on exercise of options	8
Balance at 30 June 2011	**(1,165)**

This balance represents the cost of 670,472 shares with a nominal value of £1,341 in Abcam plc (2010: 537,290) which were issued by the Company at market value and held by the Abcam Employee Share Benefit Trust. These shares are held in order to satisfy the Free Shares and Matching Shares elements of the SIP. See note 32 for further details of this scheme.

29. Retained earnings and other reserves
Group

	Notes	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000
Balance as at 1 July 2009		197	962	933	1,368	21,396	24,856
Exchange differences on translation of foreign operations		50	18	—	(18)	11	61
Share-based payments charge		—	826	—	—	—	826
Deferred tax asset recognised		—	—	189	583	—	772
Current tax deduction for exercise of share options		—	—	—	(383)	1,300	917
Profit for the year		—	—	—	—	19,222	19,222
Own shares disposed of on exercise of options		—	—	—	—	(29)	(29)
Increase in fair value of hedging derivatives		—	—	(677)	—	—	(677)
Payment of dividends	14	—	—	—	—	(5,316)	(5,316)
Balance as at 1 July 2010		247	1,806	445	1,550	36,584	40,632
Exchange differences on translation of foreign operations		4	(21)	—	—	—	(17)
Share-based payments charge		—	1,146	—	—	—	1,146
Deferred tax asset recognised		—	—	341	1,086	—	1,427
Current tax deduction for exercise of share options		—	(50)	—	—	1,525	1,475
Profit for the year		—	—	—	—	23,805	23,805
Own shares disposed of on exercise of options		—	—	—	—	(8)	(8)
Decrease in fair value of hedging derivatives		—	—	(1,263)	—	—	(1,263)
Payment of dividends	14	—	—	—	—	(7,876)	(7,876)
Balance as at 30 June 2011		251	2,881	(477)	2,636	54,030	59,321

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 and associated deferred tax assets and liabilities created.

4 Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

29. Retained earnings and other reserves continued

Company

	Notes	Share-based payments reserve[1] £000	Hedging reserve[2] £000	Deferred tax reserve[3] £000	Retained earnings £000	Total £000
Balance as at 1 July 2009		908	933	1,196	20,517	23,554
Share-based payments charge		725	—	—	—	725
Share-based payments charge recognised on behalf of subsidiaries		98	—	—	—	98
Deferred tax asset recognised		—	189	386	—	575
Current tax deduction for exercise of share options		—	—	(267)	1,038	771
Profit for the year		—	—	—	20,626	20,626
Own shares disposed of on exercise of options		—	—	—	(29)	(29)
Increase in fair value of hedging derivatives		—	(677)	—	—	(677)
Payment of dividends	15	—	—	—	(5,316)	(5,316)
Balance as at 1 July 2010		1,731	445	1,315	36,836	40,327
Share-based payments charge		1,026	—	—	—	1,026
Share-based payments charge recognised on behalf of subsidiaries		120	—	—	—	120
Deferred tax asset recognised		—	341	774	—	1,115
Current tax deduction for exercise of share options		—	—	—	1,106	1,106
Profit for the year		—	—	—	23,929	23,929
Own shares disposed of on exercise of options		—	—	—	(8)	(8)
Decrease in fair value of hedging derivatives		—	(1,263)	—	—	(1,263)
Payment of dividends	14	—	—	—	(7,876)	(7,876)
Balance as at 30 June 2011		2,877	(477)	2,089	53,987	58,476

1 IFRS 2 charge for fair value of share options.

2 Gains and losses recognised on cash flow hedges and associated deferred tax assets and liabilities created.

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 IAS 12.

30. Acquisition of subsidiary

On 23 May 2011, the Company acquired 100% of the issued share capital of MitoSciences Inc for total consideration of US$6.0m (£3.7m). Total consideration comprised US$4.2m (£2.6m) cash and 279,521 Abcam plc ordinary shares of 0.2 pence with a fair value of US$1.8m (£1.1m) based on the rolling five day average price of 397.1 pence per share terminating three days prior to completion. At the balance sheet date a further $0.06m (£0.04m) cash consideration had been recognised as a result of adjustments made following the post-acquisition completion review.

MitoSciences Inc based in the USA, is recognised as one of the leading providers of mitochondrial research tools focusing on areas of metabolism and apoptosis. The acquisition supports the Group's strategy of becoming the global leader in protein research tools and will serve to enhance the exceptional range of such products available to new and existing customers. The combined entity will be a market leader in mitochondrial research and will extend the Group's manufacturing and product development capability, particularly in the exciting area of assay development.

30. Acquisition of subsidiary continued

The table below summarises the consideration paid for MitoSciences Inc as well as the amounts recognised at the acquisition date of the assets acquired and liabilities assumed.

	£000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Non-current assets	
Intangible assets	1,668
Property, plant and equipment	146
Current assets	
Inventories	235
Trade and other receivables	194
Cash and cash equivalents	122
Deferred tax asset	9
Current liabilities	
Trade and other payables	(211)
Current tax liabilities	(74)
Non-current liabilities	
Deferred tax liability	(433)
Total identifiable net assets	**1,656**
Goodwill	2,062
Total consideration	**3,718**
Settled by:	
Cash	2,570
Deferred cash consideration	38
Equity instruments (279,521 ordinary shares of Abcam plc)	1,110
Total consideration transferred	**3,718**
Net cash outflow arising on acquisition	
Cash consideration	2,570
Less: cash and cash equivalent balances acquired	(122)
	2,448

The goodwill of £2,062,000 arising from the acquisition represents the acquired product pipeline opportunities, expanded customer base and a highly knowledgeable workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs totalling £202,000 are included within administrative expenses in the consolidated income statement for the year ended 30 June 2011. Further acquisition-related costs of £49,000 have been incurred since the balance sheet date.

The fair value of trade and other receivables is £194,000 which includes trade receivables with a fair value of £190,000 and a gross contractual value of £203,000 of which £13,000 is expected to be uncollectable.

During the period from the date of acquisition to the balance sheet date, MitoSciences Inc contributed £162,000 to the Group's revenue from sales to third parties and £31,000 to the Group's profit before tax.

If MitoSciences Inc had been consolidated from 1 July 2010, Group revenues for the year would have been £84,758,000 and Group profit before tax £32,048,000, after amortisation of intangibles.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

31. Note to the cash flow statement

	Group		Company	
	30 June 2011 £000	30 June 2010 £000	**30 June 2011 £000**	30 June 2010 £000
Operating profit for the year	**31,713**	25,647	**28,355**	22,805
Adjustments for:				
Depreciation of property, plant and equipment	**1,380**	1,352	**1,189**	1,152
Loss on disposal of property, plant and equipment	**8**	32	**—**	32
Amortisation of intangible assets	**210**	180	**197**	180
Impairment losses on intangible assets	**38**	147	**38**	147
Decrease in provisions	**25**	(19)	**25**	(19)
Change in fair value of derivatives outstanding at year end	**(74)**	545	**(74)**	545
Share-based payments charge	**1,146**	826	**1,026**	725
Operating cash flows before movements in working capital	**34,446**	28,710	**30,756**	25,567
Increase in inventories	**(1,388)**	(2,277)	**(1,432)**	(2,259)
Increase in receivables	**(1,628)**	(1,692)	**(1,181)**	(2,987)
Increase/(decrease) in payables	**1,423**	191	**1,394**	(146)
Cash generated by operations	**32,853**	24,932	**29,537**	20,175
Income taxes paid	**(7,370)**	(5,210)	**(6,044)**	(4,283)
Net cash inflow from operating activities	**25,483**	19,722	**23,493**	15,892

32. 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 payments charge relates to option awards from the EMI scheme, Unapproved Share Option Plan, the Abcam Inc share scheme, the Abcam 2005 share option scheme, the SAYE scheme, the Abcam Company Share Option Plan (CSOP), the LTIP and the SIP. Option grants under each scheme have been aggregated.

The vesting period for grants under the SAYE scheme is either three years or five years, as selected by the employee at the date of grant. Those options with performance criteria vest when the criteria are met. The vesting period for all other options is from one to three years. 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 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.

The Group recorded a total share-based payments expense of £1,146,000 in the year (2010: £826,000), of which £985,000 (2010: £702,000) was included within administration and management expenses and £161,000 (2010: £124,000) was included within R&D expenses.

32. Share-based payments continued

Summary of all schemes, excluding SIP and LTIP

Options outstanding as at 30 June 2011 had an exercise price of between 5 pence* and 345 pence (2010: 5 pence* and 180.8 pence*). The weighted average remaining contractual life is 7.08 years (2010: 7.35 years). The weighted average fair value of the options outstanding at the end of the year was 41.28 pence (2010: 24.12 pence*). The Group recorded a total share-based payments expense of £252,000 (2010: £279,000) relating to all schemes excluding the SIP and LTIP.

	2011		2010	
	Number of share options	**Weighted average exercise price pence**	Number of share options*	Weighted average exercise price pence*
Outstanding at beginning of year	**4,319,510***	**83.11***	5,691,010	59.77
Granted during year	**386,849**	**345.00**	708,875	180.80
Forfeited during year	**(130,605)**	**164.35**	(177,980)	86.41
Exercised during year	**(1,556,000)**	**57.51**	(1,902,395)	50.25
Outstanding at the end of year	**3,019,754**	**126.16**	4,319,510	83.11
Exercisable at end of year	**1,274,530**	**57.46**	665,470	36.50

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Enterprise Management Incentive (EMI) scheme

	2011		2010	
	Number of share options	**Weighted average exercise price pence**	Number of share options*	Weighted average exercise price pence*
Outstanding at beginning of year	**1,420,840***	**55.30***	2,577,740	54.56
Forfeited during year	—	—	(60,250)	62.40
Exercised during year	**(931,415)**	**54.77**	(1,096,650)	53.15
Outstanding at the end of year	**489,425**	**56.33**	1,420,840	55.30
Exercisable at end of year	**489,425**	**56.33**	362,250	33.22

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

The growth in the net assets of the Group means that the Group has exceeded the limits set by HMRC for new option grants under the EMI scheme under which no further grants can subsequently be made.

Unapproved Share Option Plan

	2011		2010	
	Number of share options	**Weighted average exercise price pence**	Number of share options*	Weighted average exercise price pence*
Outstanding at beginning of year	**909,705***	**53.25***	1,342,560	52.05
Exercised during year	**(151,000)**	**62.40**	(432,855)	37.98
Outstanding at the end of year	**758,705**	**58.02**	909,705	53.25
Exercisable at end of year	**758,705**	**58.02**	200,000	25.00

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Further grants of unapproved options are now being made under the Abcam 2005 Share Option Scheme.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

32. Share-based payments continued

Abcam Inc share scheme

	2011 Number of share options	2011 Weighted average exercise price pence	2010 Number of share options*	2010 Weighted average exercise price pence*
Outstanding at beginning of year	435,620*	64.28*	588,955	63.03
Forfeited during year	—	—	(9,945)	65.78
Exercised during year	(409,220)	63.17	(143,390)	70.32
Outstanding at the end of year	26,400	62.40	435,620	64.28
Exercisable at end of year	26,400	62.40	103,220	70.32

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Further grants of options to Abcam's US employees are now being made under the Abcam 2005 Share Option Scheme.

SAYE scheme

	2011 Number of share options	2011 Weighted average exercise price pence	2010 Number of share options*	2010 Weighted average exercise price pence*
Outstanding at beginning of year	123,005*	48.40*	361,530	46.31
Forfeited during year	—	—	(19,275)	49.80
Exercised during year	(64,365)	49.80	(219,250)	44.83
Outstanding at the end of year	58,640	46.87	123,005	48.40
Exercisable at end of year	—	—	—	—

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

The Abcam 2005 Share Option scheme

	2011 Number of share options	2011 Weighted average exercise price pence	2010 Number of share options*	2010 Weighted average exercise price pence*
Outstanding at beginning of year	1,049,615*	118.30*	820,225	92.40
Granted during year	202,823	345.00	317,375	180.80
Forfeited during year	(102,190)	148.46	(77,735)	103.65
Exercised during year	—	—	(10,250)	92.40
Outstanding at the end of year	1,150,248	155.59	1,049,615	118.30
Exercisable at end of year	—	—	—	—

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

The Abcam CSOP

	2011 Number of share options	2011 Weighted average exercise price pence	2010 Number of share options*	2010 Weighted average exercise price pence*
Outstanding at beginning of year	380,725*	180.80*	—	—
Granted during year	184,026	345.00	391,500	180.80
Forfeited during year	(28,415)	221.48	(10,775)	180.80
Outstanding at the end of year	536,336	234.98	380,725	180.80
Exercisable at end of year	—	—	—	—

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

32. Share-based payments continued

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 June 2003	16 June 2003	5 July 2004	17 December 2004	27 May 2005	5 September 2005
Share price at grant (pence)*	2	2	5	6	12.5	12.5
Fair value at valuation date (pence)*	0.52	0.52	1.70	2.46	3.84	3.82
Exercise price (pence)*	5	7.5	5	5	12.5	12.5
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%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Unapproved Share Option Plan

Grant date	20 December 2004	20 December 2004	30 September 2005	30 September 2005	27 October 2005
Share price at grant (pence)*	6	6	12.5	12.5	33.4
Fair value at valuation date (pence)*	2.24	2.32	3.78	2.04	11.15
Exercise price (pence)*	5	5	12.5	25	30
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%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

SAYE scheme

Grant date	2 October 2006	2 October 2006	8 November 2007	8 November 2007
Share price at grant (pence)*	56	56	62.4	62.4
Fair value at valuation date (pence)*	20.8	22.6	21.2	24.4
Exercise price (pence)*	44.8	44.8	49.8	49.8
Expected volatility	30%	30%	30%	30%
Expected life (years)	3	5	3	5
Expected dividend yield	1.1%	1.1%	1.5%	1.5%
Risk free rate	4.54%	4.54%	4.80%	4.80%
Employee exercise multiple	2	2	2	2
Employee exit rate	10.00%	10.00%	12.00%	12.00%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

32. Share-based payments continued

SAYE scheme continued

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

Grant date	7 September 2006	8 November 2007	7 May 2008	6 November 2008	9 November 2009	2 December 2010
Share price at grant (pence)*	56	62.4	82.6	92.5	180.8	373
Fair value at valuation date (pence)*	16.8	17.8	24.6	23	57.6	138
Exercise price (pence)*	56	62.4	82.6	92.4	180.8	345
Expected volatility	30%	30%	30%	24%	34%	37%
Expected life (years)	3	3.01	3	3	6	6
Expected dividend yield	1.1%	1.5%	1.5%	0.87%	1.24%	0.62%
Risk free rate	4.57%	4.80%	4.79%	3.90%	3.21%	2.56%
Employee exercise multiple	2	2	2	2	2	2
Employee exit rate	9.53%	12.00%	12.00%	0.00%	0.00%	0.00%

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

SIP

All UK-based employees are eligible to participate in the SIP whereby employees buy shares in the Company. These shares are called Partnership Shares and are held in trust on behalf of the employee. For every Partnership Share bought by the employee the Company will give the employee one share free of charge (Matching Shares), provided the employee remains employed by the Company for a period of at least three years. The employees must take their shares out of the Plan on leaving the Company and will not be entitled to the Matching Shares if they leave within three years of buying the Partnership Shares. In addition, the Company can also award employees up to a maximum of £3,000 of shares (Free Shares). There are no vesting conditions attached to the Free Shares, other than being continuously employed by the Company for three years from the date of grant.

	Number of Free Shares		Number of Matching Shares	
	2011	2010*	2011	2010*
Outstanding at beginning of year	**418,015***	270,920	**86,910***	49,365
Granted during year	**113,598**	186,335	**29,494**	44,645
Forfeited during year	**(40,717)**	(29,570)	**(13,595)**	(5,025)
Released during year	**(3,973)**	(9,670)	**(113)**	(2,075)
Outstanding at the end of year	**486,923**	418,015	**102,696**	86,910
Exercisable at end of year	**—**	—	**—**	—

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

For the purposes of IFRS 2 the fair value of these Matching Shares and Free Shares is determined as the market value of the shares at the date of grant. No valuation model is required to calculate the fair value of awards under the SIP. The fair value of an equity-based payment under the SIP is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

The Group recognised a total expense of £264,000 (2010: £195,000) related to Matching and Free Share awards in the year.

LTIP

The Company approved a new LTIP in 2008. Vesting of performance share awards made under this scheme to the executive management team is conditional upon achievement of two separate performance conditions. Full details of these performance conditions are shown in the Directors' Remuneration Report. In 2010, LTIP awards were also made to members of senior management, in addition to the executive management team. Vesting of awards made in 2010 to senior management were conditional on market-based performance criteria and calculated using the Monte Carlo model. Vesting criteria for awards made in 2011 to senior management were aligned with those awarded to the executive management team. Awards made in 2008 were nil cost options which vest, subject to achievement of the relevant performance conditions, after three years, and can be exercised over the following seven years. All other awards made under this scheme are conditional share awards with a fixed term of three years. Save as permitted in the LTIP rules, awards lapse on an employee leaving the Company.

32. Share-based payments continued

Long-Term Incentive Plan continued

Details of performance share awards outstanding during the year are as follows:

	LTIP awards 2011	LTIP awards 2010*
Outstanding at beginning of year	1,285,095*	772,725
Granted during year	327,642	521,260
Forfeited during year	—	(8,890)
Outstanding at the end of the year	**1,612,737**	1,285,095
Exercisable at end of year	—	—

* Rebased to reflect the five for one share sub-division which took place on 15 November 2010.

These performance share awards were made on 2 December 2010 (2010: 9 November 2009). The aggregate of the fair values of the awards made on that date is £1,009,000 (2010: £756,000).

The estimated fair values of the awards are calculated using the Monte Carlo model, with the Black Scholes model used to calculate those with a performance condition based on EPS. The inputs into the models for awards granted are as follows:

Grant date	6 and 17 November 2008	9 November 2009*	9 November 2009	2 December 2010
Weighted average exercise price (pence)	—	—	—	—
Expected volatility	24%	34%	34%	37%
Expected life	3 years	4 years	3 years	3 years
Expected dividend yield	0.87%	1.24%	1.24%	0.62%
Risk free rate	3.41%	2.52%	2.03%	1.36%

* Awards made to senior management based on market-based performance criteria only.

The Group recognised a total expense of £630,000 (2010: £352,000) related to performance share awards under the LTIP in the year.

33. Retirement benefit schemes

Defined contribution schemes

The UK-based employees of the Company have the option to be members of a defined contribution pension scheme managed by a third party pension provider. For each employee who is a member of the scheme the Company will contribute a fixed percentage of each employee's salary to the scheme. The only obligation of the Group with respect to this scheme is to make the specified contributions.

The employees of the Group's subsidiaries in the US (with the exception of MitoSciences Inc, whose retirement benefit scheme will be introduced in the next financial year), Japan and Hong Kong are members of state-managed retirement benefit schemes operated by the governments of the US, Japan and Hong Kong respectively. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost charged to the income statement in respect of these schemes during the year ended 30 June 2011 was £1,132,000 (2010: £1,049,000). As at 30 June 2011 contributions of £76,000 (2010: £80,000) due in respect of the current reporting period had not been paid over to the schemes.

34. Events after the balance sheet date

Business combination

On 12 September 2011, the Group completed the acquisition of the entire share capital of Ascent Scientific Ltd, a specialist provider of biochemical tools based in the UK. Total consideration of £10m comprised of £6m cash and £4m of Abcam plc ordinary shares of 0.2 pence.

Due to the proximity of the acquisition date to the date these financial statements were authorised for issue, the fair values of the identifiable assets acquired and liabilities assumed are yet to be finalised.

Founded in 2005, Ascent Scientific Ltd has focused on building a range of high quality biochemicals for use by scientific researchers. Their range of over 400 products includes receptor ligands, ion channel modulators, enzyme inhibitors and apoptosis and cell cycle tools. Products are produced both in-house and through outsourced manufacturing. Currently headquartered in Bristol, UK, the company employs 25 staff globally. In the year ended 31 July 2011 the company had product revenues of £1.4m.

The acquisition further extends the Group's product portfolio and is in line with the strategy of becoming the world's leading supplier of protein research tools.

Notes to the consolidated financial statements continued

for the year ended 30 June 2011

35. Related party transactions

Remuneration of key personnel

The remuneration of the EMT, 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. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report.

Group and Company

	30 June 2011 £000	30 June 2010 £000
Short-term employee benefits and fees	**1,844**	1,853
Share-based payments charge	**614**	384
	2,458	2,237

Directors' 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 £20,394 (2010: £23,732) and paid £63,101 in royalties (2010: £44,762). £12,648 relating to these royalties was outstanding at the year end (2010: £7,780).

Dividends totalling £1,407,489 were paid in the year in respect of ordinary shares held by the Company's Executive and Non-Executive Directors.

Company transactions with its subsidiaries

The Company provided goods for resale to, received dividends from, and was charged management fees by its subsidiaries in the current and prior years as summarised in the following table:

	30 June 2011 £000	30 June 2010 £000
Sales of goods	**38,880**	32,526
Dividends received	**2,132**	3,196
Management fees charged	**(1,008)**	(782)
	40,004	34,940

Subsequent to the acquisition of MitoSciences Inc in the year, MitoSciences provided goods to the Company with a total value of £101,000, all of which remain unsold at the year end.

Amounts remaining outstanding at the year end can be seen in the Company Balance Sheet.

Once again, we would like to thank our employees, who have been essential to our continued success.

Their skill and dedication has been invaluable in making the Company what it is today.

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