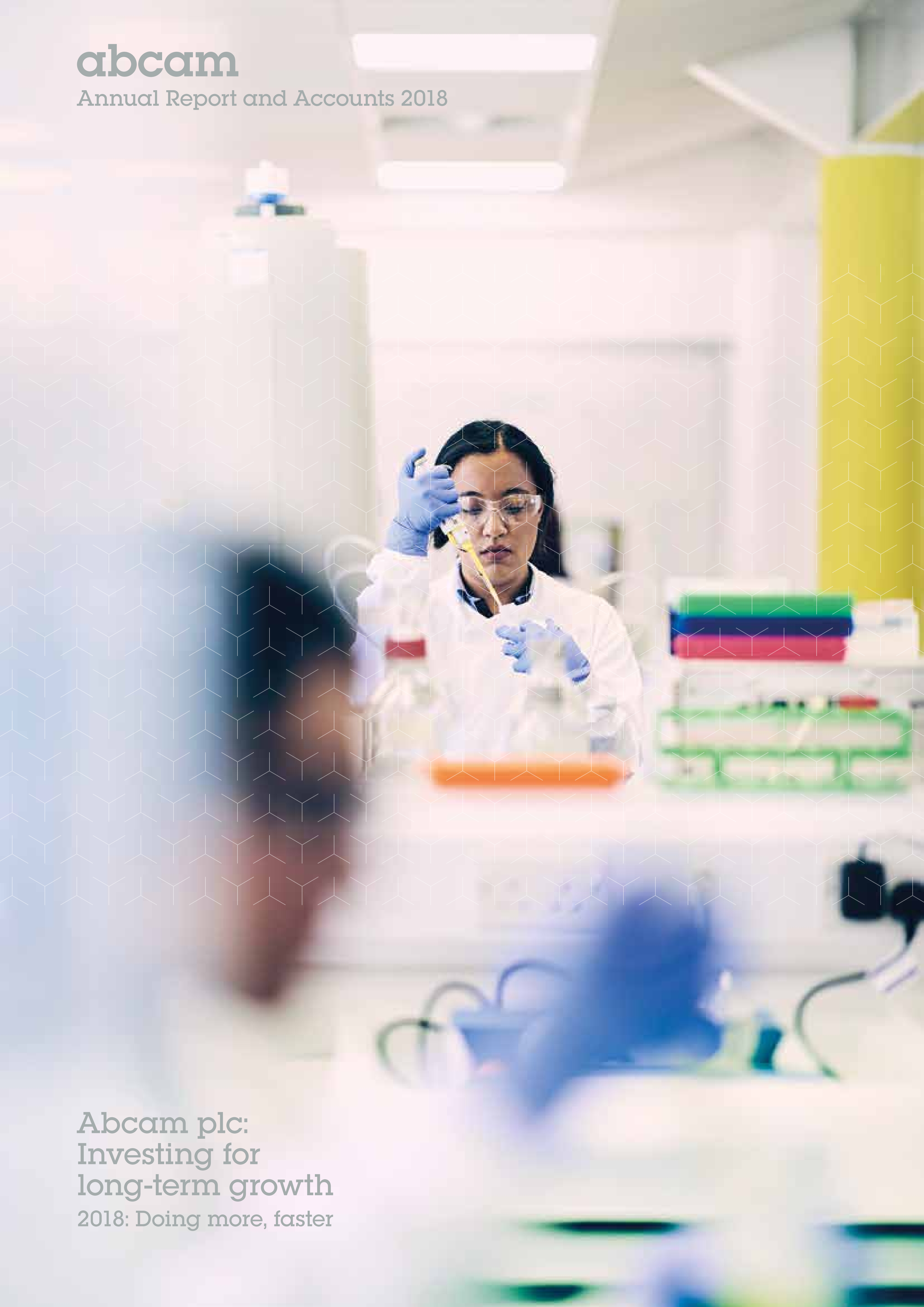
abcam

Annual Report and Accounts 2018



Abcam plc: Investing for long-term growth

2018: Doing more, faster

Abcam produces and markets high-quality protein research tools

These tools enable life scientists to analyse components of living cells at the molecular level which is essential in a wide range of fields and applications including drug discovery, diagnostics, and basic research. We are headquartered in Cambridge, UK, with ten additional locations across the globe.

Our vision
To be the most influential company for life science researchers worldwide to support research, diagnostic and therapeutic applications.

Our mission
To serve life scientists to achieve their mission, faster.

Our people
Our team is a distinctive asset. We have over 1,100 employees who thrive on serving customers. Nurturing employee excellence is important to our success and we continue to prioritise investment in the training and development of our people.

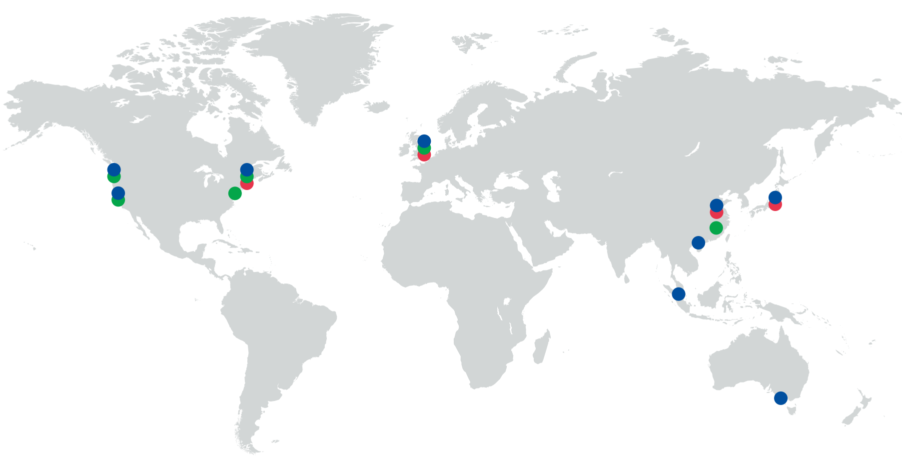
1,100+
Abcam employees worldwide

190+
Abcam employees with a PhD

Our global presence
Headquartered in Cambridge, UK, we employ over 1,100 people across eleven locations, servicing researchers in more than 140 countries.

11
Locations globally

140+
Countries delivered to worldwide



- Customer support
- R&D/Production
- Warehouse

Our products and services
We innovate and manufacture our own products in our specialist facilities worldwide and we source thousands more from hundreds of quality suppliers. This combination of in-house production and sourcing offers scientists access to the newest and best research tools available globally.

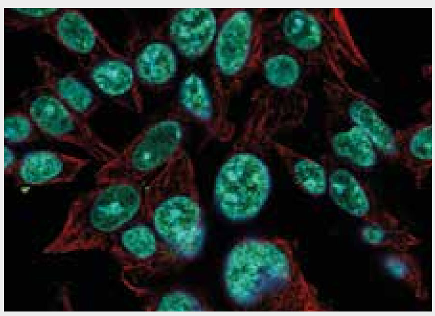
In total, we offer over 110,000 diverse products in our catalogue. These products support research of proteins in biological pathways and how signals in DNA are regulated to produce biological function. Ultimately, findings from this research can translate to treatments for diseases such as cancer and immune deficiency disorders.

Including our revenues from Custom Products and Licensing, approximately 45% of our total revenue is now derived from our in-house manufactured products, innovation and services.

110,000+
Diverse products in our catalogue

45%
In-house product sales

63x magnification image of ab109028 staining HP1alpha in wild-type HAP1 cells (shown in green). Cells were counterstained with alpha Tubulin (shown in pseudo colour red) and nuclear DNA was labelled in blue with DAPI.



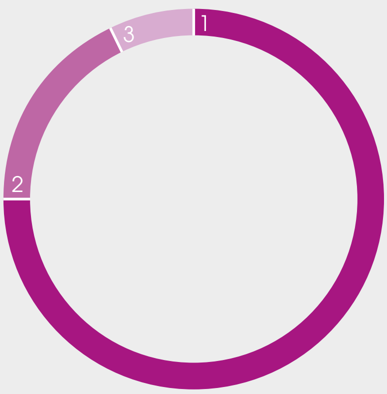
Antibodies

The immune system in animals produces antibodies when the body becomes infected by a foreign substance, biologically called an antigen. Each antibody binds to a very specific part of the antigen surface known as an epitope. We design antibodies that bind specifically to epitopes on antigens that are typically proteins of research interest. We generate these antibodies to target proteins to provide our research customers with the tools to complete several basic tasks, including: quantification of a protein, visualisation of where proteins are located within a cell or tissue sample, purifying proteins or cells, and potentially in diagnosing disease, or inhibiting disease causing biological activity. There are millions of combinations of antibodies that can be produced to cover all protein, epitope, and application combinations. Few of these combinations are studied and typically there is a leading antibody that is the first choice of researchers for each combination.

Research-grade antibodies

Our main focus is providing antibodies intended for basic research – that is, those typically used in academic pharmaceutical and biotech laboratories to investigate fundamental scientific questions that further the understanding of biology or new clinical applications in development. These are sold through our digital catalogue online.

Revenue split by product and service



1 Antibody products 75%
2 Kits, assays and other products 18%
3 Custom Products and Licensing (CP&L) 7%

In vitro diagnostic (IVD) antibodies

IVDs are tools typically used in a clinical setting, such as a hospital or medical institute laboratory, to help diagnose disease or a condition. These antibody-based tools are used on patient samples (such as blood, urine, or tissue) and help clinicians to diagnose or assess the progression of a disease. IVDs can also provide information on the type of treatment to use and on disease prognosis. These products are sold directly and through specialist distributors.

Kits and assays

Kits and assays contain everything a researcher needs to run an experiment: the reagents and protocol are provided and the contents have been optimised for maximum performance. A researcher provides the sample of interest and the kit delivers everything else. An immunoassay is a type of kit that contains one or more pairs of antibodies.

Other research products

Alongside our antibodies, kits and assays, we provide other products that are related to the study of biological pathways and targets, including proteins, peptides, agonists, antagonists and many others.

Custom Products and Licensing

Some customers are unable to find the product they require from our online digital catalogue. In these situations, Abcam produces an antibody or assay that is specific to their application – typically in diagnostics, drug discovery, or drug development. Commercial options for these products include making them available for sale to researchers online, supplying product to the customer from Abcam manufacturing, licensing the technology to the customer for their own manufacture, and potentially generating payment from milestones achieved in clinical development. In other situations, the product is available online for research use only and we work with them to provide a license for a specific clinical application.

Our customers

Our customers are life scientists who work in a wide variety of settings including academic labs, research institutions, diagnostic development companies, drug development companies and clinical laboratories. They are unified in their need for high-performance biological products with precise technical specifications.

Our products are unique in their combination of biology and data. These features, together with expert customer support and fast delivery, make us the researcher's choice, with approximately two-thirds of the world's estimated 700,000+ life science researchers using Abcam's antibodies and other affinity binders, immunoassays, proteins, and related reagents.

Without our collaboration with Abcam, our work would have taken at least six more months.

Dr Feng Shao
National Institute of Biological Sciences, Beijing

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CiteAb Awards won

Abcam

Precision delivery of high-quality protein research tools for the life sciences industry

Operational and strategic highlights

Strong commercial and strategic execution, with the achievement of all strategic key performance targets

Continued to drive quality standards through knockout validation, recombinant antibodies, and other quality initiatives, with a further 400+ products knockout validated

Acquired the exclusive rights from Roche for a portfolio of Spring Bioscience products for research use only (RUO) applications

Entered into 28 new agreements with pharmaceutical and diagnostic partners, further increasing our addressable market in Custom Products and Licensing

Continued to expand our FirePlex® platform, with the addition of over 150 new validated antibody pairs

Contents

Financial highlights

Total revenue
£233.2m +7.4%

2017/18	£233.2m
2016/17	£217.1m
2015/16	£171.7m

Gross margin
69.9% -0.2%

2017/18	69.9%
2016/17	70.1%
2015/16	70.2%

Adjusted EBITDA margin
37.9% +4.1%

2017/18	37.9%
2016/17	33.8%
2015/16	34.9%

Adjusted profit before tax
£81.6m +26.3%

2017/18	£81.6m
2016/17	£64.6m
2015/16	£53.8m

Reported profit before tax
£69.1m +33.1%

2017/18	£69.1m
2016/17	£51.9m
2015/16	£45.4m

Adjusted diluted earnings per share
32.4p +27.1%

2017/18	32.4p
2016/17	25.5p
2015/16	22.4p

Reported diluted earnings per share
30.2p +45.9%

2017/18	30.2p
2016/17	20.7p
2015/16	18.5p

Total dividends
12.00p +17.9%

2017/18	12.00p
2016/17	10.18p
2015/16	8.91p

Return on capital employed
22.2% +2.6%

2017/18	22.2%
2016/17	19.6%
2015/16	18.1%

Note:
Certain financial measures in this Annual Report and Accounts, including adjusted results above, are not defined under IFRS and are alternative performance measures as described on page 146. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in note 7 to the financial statements.

Our ambition is to be the most influential company for life scientists worldwide

For two decades Abcam has been helping life scientists to make breakthroughs and discover more by providing the highest quality reagents.

As our business has grown, so too has our influence, and today we are beginning to see our impact expand to translational medicine through Abcam Inside.

While we have evolved over the years, our ethos remains the same as it was in 1998: we exist to serve life scientists to help them to achieve their mission, faster.

This year we have achieved growth ahead of market rates and delivered material returns by focusing on customers and pursuing our five multi-year strategic goals:

- Sustain antibody and digital marketing leadership
- Expand in related growth markets
- Invest in operating capabilities for 2x 2016 scale by 2023
- Sustain attractive economics
- Supplement organic growth through acquisitions and partnerships

Recent related presentations
Abcam plc regularly updates its stakeholders through the website.

Please visit abcamplc.com for further information.

Dear Shareholders

> Abcam's position as the global leader in the sale of research antibodies and our reputation for providing high-quality products alongside comprehensive scientific data positions us well. We are committed to investing in the Company to build on that position, in order that we remain at the forefront of scientific advances and can take full advantage of the multiple opportunities within our markets.

Peter Allen
Chairman

I have recently been appointed as the Chairman of Abcam plc and it gives me great pleasure to introduce my first Annual Report for the Group, which sets out the continued financial and strategic progress the Company has made over the past twelve months.

2018 performance

We are pleased to report a 7.4% increase in revenue to £233.2m (2016/17: £217.1m), representing growth of 10.7% on a constant currency (CER)[1] basis and an increase in adjusted[2] profit before tax of 26.3% to £81.6m (2016/17: £64.6m). On a reported basis, profit before tax rose by 33.1% to £69.1m (2016/17: £51.9m).

The Group generated Free Cash Flow[3] of £26.8m (2016/17: £41.3m) and ended the year with net cash of £90.2m (2016/17: £84.8m) after investing close to £30m on key capital projects.

Implementing our strategy and generating future sources of value

Abcam is a remarkable Company and I am delighted to have joined at this stage of its development. The Company's growth strategy continues to deliver strong results and the Group is embedding strong organisational capabilities to enable it to sustain this growth in the future. At the same time, our balance sheet strength enables us to consider further selected acquisitions that are in line with our vision and strategy and meet our financial criteria.

We are investing to build on our position in order that we remain at the forefront of scientific advances and can take full advantage of the multiple opportunities within our markets. We are confident that these investments will enable us to continue to deliver solid growth over the long term.

Dividend

The Group's strong balance sheet and cash generation capability has allowed the Directors to maintain a progressive increase in the dividend in the year. Subject to approval at the AGM on 6 November 2018, the Board proposes to pay a final dividend of 8.58 pence (2016/17: 7.355 pence) per share. Together with the interim dividend of 3.42 pence per share paid on 12 April, this makes a combined dividend of 12.00 pence (2016/17: 10.18 pence) per share, representing an increase of 17.9% versus last year.

Board and governance

Murray Hennessy stepped down from the Board and as Chairman of the Group on 14 November 2017. Our thanks go to Murray for his significant contributions to the development of Abcam over the previous six years. I joined the Board as Non-Executive Chairman on 18 June 2018, assuming the position from Louise Patten who had fulfilled the role on an interim basis following Murray's departure. She did an excellent job for which we are most grateful and has reverted to her role as Senior Independent Director.

As one of the largest companies on AIM, Abcam is committed to high standards of governance and continues to comply with almost every principle and provision of the UK Corporate Governance Code insofar as it is applied to companies that are not in the FTSE 350. In addition, we operate a robust framework of systems and controls to maintain high standards throughout the Company and more details can be found in the Directors' report. The Board believes that effective corporate governance assists us in the delivery of our corporate strategy, the sustainable generation of shareholder value and the safeguarding of our stakeholders' long-term interests.

Our people

On behalf of the Board, I would like to thank our employees for their hard work and dedication as well as our suppliers, business partners and shareholders for their continued support over the last year.

Peter v Allen

Peter Allen
Chairman
7 September 2018

1 CER is calculated by applying the prior year's actual exchange rates to the current year's results.
2 Adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in note 7 to the financial statements.
3 Free cash flow comprises net cash generated from operating activities less net capital expenditure and transfer of cash into escrow for future capital expenditure.

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Scheduled Board meetings in 2017/18

Governance drives growth

Robust corporate governance plays a key role in ensuring the long-term sustainable growth of our business.

Nomination Committee

Role and responsibility

Responsible for succession planning for the Board, its Committees and senior management.

How we supported growth in 2017/18

Led the process to appoint a new Chairman and reviewed succession planning for the Executive Leadership Team, to ensure Abcam is equipped with the skills and competencies needed for continued growth.

Audit and Risk Committee

Role and responsibility

Oversight of Abcam's financial and business reporting and financial statements, external and internal audit, risk management and internal control systems.

How we supported growth in 2017/18

Continued the development of Abcam's risk management systems and financial reporting to support growth.

Remuneration Committee

Role and responsibility

Responsible for determining the remuneration of Executive Directors and overseeing the remuneration of the Executive Leadership Team.

How we supported growth in 2017/18

Completed strategic review of remuneration structure to support Abcam's sustainable, long-term growth and our philosophy for employee share ownership.

Related material

Nomination Committee report – page 62
Audit and Risk Committee report – page 64
Remuneration Committee report – page 69

Related content

Key performance indicators – page 28

Sustaining long-term profitable growth

Abcam started 20 years ago with one big idea: to provide research scientists faster access to antibodies that work.

Our company was a pioneer applying e-commerce tools to the life sciences. That disruptive innovation made it possible to offer an extensive antibody range, validation data, and rapid customer service to researchers worldwide.

The financial success of the company and support of our shareholders since then has enabled us to increase investment in long-term profitable growth.

Doing more for customers, faster
When I joined Abcam in 2013, I was inspired to accomplish two things: ensure Abcam is guided by the needs of our customers and build a business that will deliver long-term sustainable growth while influencing and accelerating life science discovery worldwide. In that first year, we started a transformation in leadership, scope of business, organisation, operations and purpose that, over time, would help to achieve those dual aims.

Five years later, we have made tremendous progress thanks to the loyalty of our customers and the hard work of our global team. We have roughly doubled the scale of Abcam since 2013 in terms of our revenue, profits and impact on science.

Today, Abcam is a global leader in providing antibodies to academic researchers, and research and development teams worldwide. Our customers have provided us with greater clarity about our role: we serve them to help them achieve their missions, faster than they might otherwise. Like a Sherpa for a mountaineer, we dedicate ourselves to the success of scientists, helping them select the right tools and navigate the best path in their ascent to the highest levels of discovery.

Innovating beyond our antibody heritage
Over the years we have learned a lot about what our customers want. In response, we have focused on innovating and expanding our product range, extending our customer influence beyond our original research antibody heritage. A relentless focus on our customers' needs has led us to acquire and integrate five companies and build new technology applications of our own, such as the use of rabbit monoclonal hybridomas, phage display, next generation sequencing and CRISPR-Cas9 technologies to enhance and accelerate antibody selection and validation. This focus on customer-led innovation continues. We are well on our way to creating a portfolio of complementary antibody pairs that enable novel, high-throughput screening techniques using our FirePlex® particles.

Because of these developments, we have an enviable and expanding portfolio of distinctive and proprietary life science innovation capabilities.

In the past year, there have been several notable examples of Abcam products influencing life sciences and patient outcomes including:

- the use of our ArV7 antibody (Ab198394) for the early diagnosis of metastatic prostate cancer
- the use of FirePlex® micro-RNA multiplex analysis to enhance identification of signals related to the rapid onset of cardiac arrest (S. Das research at Harvard Medical School, Boston)
- the development of novel RabMAb® recombinant antibodies to support research into the reduction of chemotherapy-related side-effects (F. Shao research at the National Institute of Biological Sciences, Beijing)

As noteworthy as these examples are, it is the recognition of the contributions to the work of the thousands of scientists we serve around the world every day that remain the foundation of our business. This includes:

- over 20% of global publications using antibodies cited Abcam in 2017
- #1 cited company for over 30% of protein targets studied in research in 2017, up from 22% in 2013
- customer awards via CiteAb recognising our work in China and cancer research
- customer satisfaction (measured by tNPS) of 64%, up two percentage points on 2017

My belief is commercial success follows from appropriate focus on our customers and team. Financial performance this year has been encouraging and in line with our ambitious targets, with growth once again well above the underlying market growth rate.

“If we aren’t breaking things and occasionally falling short of our goals, we aren’t being bold enough. We must keep pushing and investing to build this company to have a greater role in the markets we serve, and that work will continue for many years to come.

Alan Hirzel
Chief Executive Officer

	Reported revenue 2018 £m	2017 £m	Increase/ (decrease)	CER growth rate
Catalogue revenue by product:				
Primary and secondary antibodies	**174.5**	165.5	*5.4%*	*8.4%*
of which Recombinant antibodies	48.0	40.4	*18.8%*	*22.3%*
Other products[1]	**42.3**	36.9	*14.6%*	*18.2%*
of which Immunoassay products	15.0	12.4	*21.0%*	*25.4%*
Catalogue revenue	**216.8**	202.4	*7.1%*	*10.2%*
Custom Products & Licensing (CP&L)revenue[2]	**16.4**	14.7	*11.6%*	*17.6%*
Total reported revenue	**233.2**	217.1	*7.4%*	*10.7%*

1 Includes kits and assays, proteins, peptides, lysates and AAAI products sold for research use.
2 Includes royalty income, custom products, IHC/IVD and licensing revenue.

Striving to continuously improve

As we examine our customers and markets, we remain confident that we still have many opportunities and ideas to create future sources of growth and value for all our stakeholders. Ideas are wonderful and easy to generate at Abcam. Implementing them well is tougher and comes with the typical challenges of change. Whilst we are moving quickly to grow and improve our business, we do not always get everything right.

As good as our customer relationships and net promoter scores are, there are still too many occasions when we fall short of their high expectations. One frustrating example is that customers must sometimes wait too long for a product. We have built a new supply chain team but it is fair to say that we are still not achieving the customer performance levels we aspire to in supply chain and manufacturing. We will be investing more in talent and automation to improve in these areas.

Upgrading our systems in order to efficiently and effectively scale our business is critical for our continued growth. We set out to improve effectiveness and efficiency in four major business areas with Oracle Cloud ERP: customer contact, human resources, finance, and supply chain. To date, we have successfully completed what we wanted to achieve in human resources and customer contact. As we have learned more about the system and its maturity, we have decided to phase the remainder of the programme to reduce the risk to our business and customers. As a consequence, the programme will take longer and cost more than we predicted when we defined our requirements in 2015. We have established a new approach for more frequent and lower risk deployment and in this coming year we will focus on implementing the finance modules. Once completed, we will have substantially concluded three of the four major objectives of the programme.

I know that if we are not breaking things and occasionally falling short of our goals, we are not being bold enough. We must keep pushing and investing to build this company to have a greater role for customers in the markets we serve, and that work will continue for many years to come.

Investing in our future

We remain committed to our goal of building a company that will endure and play a growing role in the advances in science and medicine. Some of this investment is in the basic building blocks that should be in place to enable high growth, such as:

- strengthening our global team's skills and incentives – including broader equity participation
- automating our production and distribution processes
- enhancing our IT capabilities
- improving and consolidating our facilities including a move into our new headquarters in Cambridge, UK

Other investments, more closely linked to innovative development concepts for our future, include:

- further enhancing product validation
- developing new, high-value products using existing and emerging technologies such as gene editing
- strengthening our market leadership in China
- expanding our single and multiplex immunoassay portfolio
- extending and improving the application of machine learning across our business
- introducing more personalised and dynamic content to our e-commerce

As we continue to invest in our long-term success, we expect to sustain top line growth ahead of market growth. My commitment is to ensure our team is rigorously prioritising the areas that offer the greatest return to all our stakeholders.

Recognition and thanks

I thank our customers for the trust they place in Abcam to help them scale the heights of scientific and clinical achievement.

I thank our team for being dedicated to our customers' success, for being audacious in our approach to growth, and agile in the way we work.

I thank our shareholders for their continued support of our team and long-term growth strategy.

I thank Jonathan Milner for having the courage and intelligence to start this company – none of us would be here without him.

I welcome Peter Allen to our board as Chairman. We have much to do together. I thank Louise Patten for standing in as interim Chairman and leading the search for Peter.

Outlook

There is good momentum across the business and we believe the Group is in a strong position for a successful future. The organic and inorganic investments we have made and will continue to make are enabling Abcam to sustain its growth and achieve the stretching targets we have set for ourselves.

I am confident that these investments will generate long-term value for our shareholders whilst helping us serve life scientists around the world to achieve their missions faster.

Alan T. Hirzel

Alan Hirzel
Chief Executive Officer
7 September 2018

Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

In 2017/18 we refined our five multi-year strategic priorities to reflect the ongoing development of our markets and our business. We have made further progress in each of these areas over the last year (see strategy section on pages 20 to 22 and, as we do so, we are identifying more growth opportunities.

Our performance against our strategic key performance indicators (KPIs), as listed below, reflects achievement within the range of our full year targets.

Strategic KPIs

2017/18 targets and outcome[1]

Metric	Target range	Actual
Recombinant antibody product revenue growth	20–25%	**22%**
Immunoassay revenue growth[2]	20–25%	**25%**
Customer engagement: transactional NPS	55–65%	**64%**

1 A full list of KPIs are shown in 'Our KPIs' from pages 28 to 31.
2 Constant exchange rate.

Related material
Strategy in action – pages 23 to 27

Related content
Key performance indicators – pages 28 to 31

Primary markets and growth trends

Abcam's core market, the global life science research reagents market, is currently estimated at approximately $3bn[1], and growing at around 4% per annum[1]. Within this figure, primary antibodies, where Abcam currently generates around three-quarters of its revenue, currently contribute approximately $1bn[1].

Through its Custom Products and Licensing activities, Abcam is extending the commercial application of its capabilities in antibody engineering into diagnostic and therapeutic markets in partnership with bio-pharmaceutical and diagnostic companies.

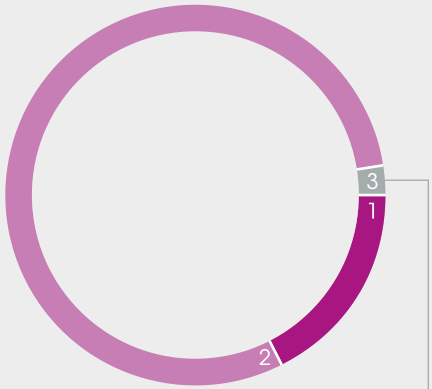
According to industry forecasts, the combined diagnostic and therapeutic antibody markets totalled over $120bn in 2017[2]. We estimate Abcam can address up to $5bn of these markets through the development of in vitro diagnostic (IVD) products, other antibodies and immunoassays and biological therapeutics.

1 Source: Pivotal Scientific (2017)
2 Source: Market research, internal company estimates.

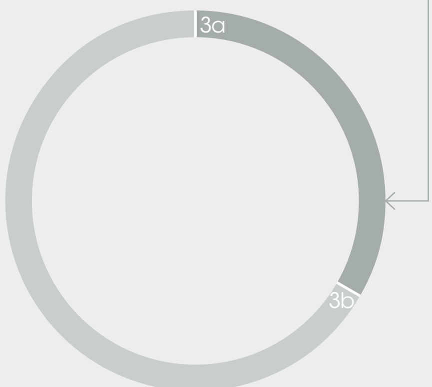
The global market for antibodies and antibody-related products

Antibodies and associated life science research reagents have a broad range of commercial applications that exploit their ability to recognise and bind to specific targets, with three broad areas of use, as outlined below.

Estimated global market (2017)



1 Diagnostics $22bn
2 Therapeutics $100bn
3 Research reagents $3bn



3a Primary research antibodies ~$1bn
3b Other research reagents ~$2bn

	Research Use Only (RUO)	Diagnostics	Therapeutics
Products	Antibodies and associated research reagents	Antibodies and immunoassays	Monoclonal antibodies
Description	Antibodies and associated reagents are used to detect, quantify and modify proteins in scientific research experiments and thus enable conclusions to be drawn about the target molecule and pathway of interest. They are fundamental, irreplaceable tools for the work of life scientists. Regulatory approval of research-grade antibodies is not required.	Antibodies have become a critical component of many In Vitro Diagnostic (IVD) assays. Uses include but are not limited to, the detection of infections, recognition of allergies and the measurement of hormones and other biological markers in blood. Antibody diagnostics generally require regulatory approval.	Antibodies can be used as therapeutic agents for the treatment of diseases including certain cancers and immune-related diseases. Therapeutic antibodies require high levels of regulatory approval.
Total estimated market size	~$3bn[1,2]	~$22bn[2]	~$100bn[2]
Abcam estimated addressable market size	~$3bn[1,2]	~$5bn[2]	
Long-term estimated market growth trend	~4%[2]	~5-8%[2]	
End-markets	• Academic labs located in universities, higher education and government research institutes • Clinical labs in pharma and biotech companies working in the drug discovery and diagnostic markets • Core facilities located in hospitals, research institutes, and other large organisations	Clinical labs in pharma and biotech companies working in the drug discovery and diagnostic markets.	
Abcam sales	Catalogue sales (RUO)	Custom Products and Licensing	
Competition	Although only a few players have significant global scale and liquidity, the marketplace for RUO antibody suppliers is fragmented and competitive, reflecting the wide range of technologies and applications that use these products and the unregulated status of the market.	Companies in diagnostic and therapeutic-use markets include specialist diagnostic businesses, Contract Research Organisations (CROs) and in-house teams at biotechnology and biopharmaceutical firms, who may outsource antibody design and discovery when reaching capacity or when they encounter a problem that requires outside expertise. We have built a significant network of collaborations across this landscape and are working on many bespoke projects in partnership with large biopharma and diagnostic companies to develop antibodies for these markets.	

1 Source: Pivotal Scientific (2017).
2 Source: Market research, internal company estimates.

Long-term market growth drivers

Fundamental drivers for growth and change in our markets include:

Research funding

What this means

The long-term trend in life science research funding is positive in many countries around the world, driven by increased healthcare research into major therapeutic areas such as oncology, chronic diseases associated with changing lifestyles and ageing populations, as well as the ongoing threat from communicable diseases such as HIV/Aids, Ebola and the Zika virus.

Growth in research spending is driven by increases in government, industry or private investment, or a combination of all three. Notably, funding for collaborations between private and public organisations to improve funding in certain research areas has increased markedly in recent years, e.g. NIH's BRAIN Initiative, Cancer Moonshot and the Precision Medicine Initiatives in the US and China.

+5.5%

Average annual growth in NIH appropriations, 2014-2018

Source: National Institutes of Health

What this means for Abcam

Increased funding for life science research serves to expand the number of projects undertaken and researchers employed, increasing the requirement for Abcam's products.

Abcam's approach is to understand the drivers for changes in research and development (R&D) funding across different regions and research areas. This means we can provide the most efficient and effective solutions that best serve consumer needs.

Related material

Regional Government Funding Review – pages 12 to 13

Technological advances

What this means

Over the last decade, technological advances in Next Generation Sequencing (NGS) have led to a large reduction in the cost of gene sequencing. The effect of this reduction has been profound, leading to a significant increase in the number of targets and biomarkers being identified, whilst simultaneously allowing more resource to be reallocated from gene identification to proteomic research (researching the function of the products of genes) in areas including stem cell research, gene editing, epigenetics, neuroscience and cancer.

Technological innovation has also seen the accessibility and capabilities of 'high-throughput' automated instrumentation rise, particularly within clinical labs and core facilities. These platforms allow hundreds of samples to be tested simultaneously, generating large amounts of data and enabling scientists to increase their productivity and achieve results faster.

~1/20,000th

Estimated relative cost of sequencing an entire human genome in 2016 (~$1,000) compared with 2006 (~$20m)

Source: National Human Genome Research Institute

What this means for Abcam

Abcam's antibodies and related reagents are a fundamental tool of proteomic research. A greater focus on research into protein function is therefore linked to increasing demand for these products.

High-throughput platforms require large volumes of reagents, increasing overall demand for our products and creating opportunities for Abcam to form collaborations and supply agreements with biopharmaceutical and diagnostic companies.

Related material

Strategy at a glance – pages 20 to 22
Strategy in action – page 23 to 27

China

What this means

The Chinese government has placed scientific and technological innovation at the centre of the long-term socio-economic development of the country and is supporting this major initiative through funding, reform, and societal status.

China's 13th Five-Year Plan (2016-2020) set the aim to become an 'Innovation Nation' by 2020, an international leader in innovation by 2030, and a world powerhouse in scientific and technological innovation by 2050.

Consequently, the amount of life science research conducted in China has expanded significantly in recent years, with further growth anticipated in the future.

2.5%

Proportion of GDP China plans to spend on R&D by 2020 (from 2.1% in 2017)

Source: OECD

What this means for Abcam

China represents an important and growing market for Abcam, contributing over 15% of Abcam's catalogue sales in 2017/18, up from c.5% in 2013.

In 2017, Abcam was ranked number 1 for antibody research citations (source: CiteAb).

Related material

Regional Government Funding Review – page 13

Antibody innovation

What this means

Innovation in antibody manufacturing techniques such as recombinant-based engineering and the emergence of powerful genome editing tools such as CRISPR are speeding up the accuracy and pace of research.

These developments are helping to address an increasing demand from researchers for more precise and reliable research tools as they seek to increase confidence in their outcomes, reduce waste and address the 'reproducibility crisis' in scientific research.

$10 billion

Estimated amount wasted on irreproducible research in the US due to biological reagents and reference material

Source: PLOS study, June 2015

What this means for Abcam

Through in-house development and acquisition, Abcam has access to leading recombinant antibody manufacturing technologies and is pioneering antibody quality and validation techniques.

As a leading provider of research antibodies, we are dedicated to providing researchers around the globe with products they can trust, that are of the highest integrity, along with the data needed to support and validate their research.

Related material

Strategy at a glance – page 20 to 22
Strategy in action – page 23 to 27

Expanding diagnostic and therapeutic use

What this means

The use of antibodies across both diagnostic and therapeutic applications has increased in recent years and this trend is forecast to continue.

Antibody-based companion diagnostic tests are becoming an important way of identifying patients most suited to a therapeutic treatment, supporting better patient outcomes and assisting governments looking to reduce healthcare costs.

The use of monoclonal antibody (MAb) treatments is associated with benefits such as greater efficacy and precision, reducing patient side-effects. To date, 78 MAbs have been approved for therapeutic use by the US FDA, with many more currently in clinical trials.

50%+

Proportion of sales of the top 100 therapeutic products expected to be derived from biologics, including monoclonal antibodies, in 2022

Source: Evaluate Pharma

What this means for Abcam

Abcam retains strong capabilities in the custom design and manufacture of recombinant monoclonal antibodies and we are building a reputation for successfully partnering with pharmaceutical, diagnostic and instrument companies.

We are working with these companies to develop antibodies and immunoassays that they will take to market for diagnostic and therapeutic applications.

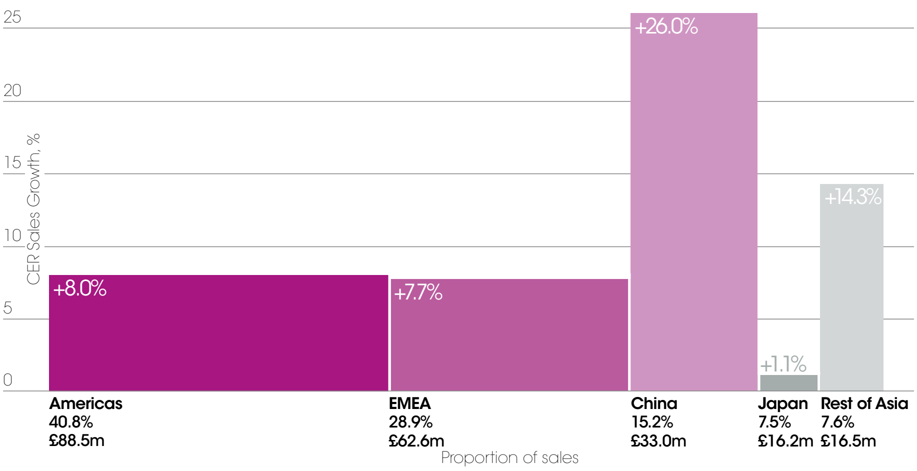
Related material

Strategy at a glance – page 20 to 22
Strategy in action – pages 23 to 27

Regional dynamics

Regional Government Funding Review
A significant proportion of Abcam's revenue comes from publicly funded life scientists through research grants. This type of funding to the life sciences sector varies regionally – a summary of the funding environment in key regions is shown below.

Abcam split of catalogue sales and CER growth by region in 2017/18



Americas

Concerns over the US funding environment received a temporary respite during the year, with a $3bn or 8.6% increase in the 2018 NIH budget, to $37.3bn, approved as part of the omnibus spending bill. Research areas including cancer, Alzheimer's, neurological disorders and infectious diseases received the largest increases in funding, with the cancer-focused precision medicine 'All of Us' initiative receiving a 26% increase. Despite the strong rise, adjusting for the rate of inflation in biomedical research, the 2018 NIH budget is still more than 11% below its historical peak in 2003.

Across the wider region, in March 2018 the Canadian government announced plans to increase basic science research by c.$4bn over the next five years.

China

The funding environment for scientific research remains positive in China, with the government focused on boosting scientific innovation, including biomedicine, through increased investment and policy reform. In February 2018, the Ministry of Science and Technology announced that R&D in basic sciences had doubled in the five-year period to 2016, to ¥82.3bn ($12.4bn). China has the ambition to spend 2.5% of GDP on research by 2020, up from 2.1% in 2017, with independent analyses anticipating that total government R&D expenditure in China will surpass the US by 2022.

EMEA

The funding environment across Europe was stable in the year with the European Research Council (ERC) budget increased c.5% to approximately €1.9bn in 2018, in line with the Horizon 2020 programme commitments. The EC is currently in the process of designing the next funding framework to succeed Horizon 2020, with a draft budget of €97.7bn ($112bn) proposed, a 27% increase on the prior programme.

Whilst Brexit continues to provide uncertainty for the life science community in the UK, the government's Industrial Strategy White Paper published in November 2017 proposed increased commitments to R&D investment, including the ambition to raise total R&D spending to 2.4% of GDP by 2027, from 1.7% in 2016.

Japan

Whilst the overall economy has picked up in recent quarters, long-standing structural issues in Japan, including a declining population resulting in fewer scientists, and an extended period of flat or declining investment in life science research, mean the environment for research output remains challenging.

Japan's share of global scientific publications has been declining for several years and the value of grants to national universities in 2017 was 10% less than in 2004. The government's 2018 budget, approved in March 2018, did include rises in spending on science and technology, although budgets for those ministries most closely involved with scientific research received only modest increases.

Asia Pacific

The Asia Pacific region has seen strong economic growth in recent years and several countries have seen a corresponding increase in scientific funding, although the situation differs widely between countries.

Korea is the largest market in the region, spending over 4% of its GDP on R&D to support its commitments to boost basic research and further develop its biopharma industry.

Singapore, Australia and New Zealand have also continued to see high levels of government support for biomedical science research.

How we create sustainable value for stakeholders over the long term:

Inputs

The resources and relationships we need to run our business and create value:

Our people
Our people are key to our success. Their skill and dedication enable us to fulfil our purpose. We aim to create a safe, fair and high-quality working environment. We invest in the development of our employees and encourage the sharing of feedback and ideas. We actively promote our culture, which focuses on earning the trust of all our stakeholders.

Data analytics
We analyse and interpret significant amounts of data in order to better understand what our customers need. We use the insights gained to inform our product development pipeline in support of their research goals.

Research and development
We have leading antibody discovery, innovation and manufacturing capabilities that allow us to develop unique, reliable products and technologies which meet customer needs. Feedback from the people who use our products forms a key part of our development process.

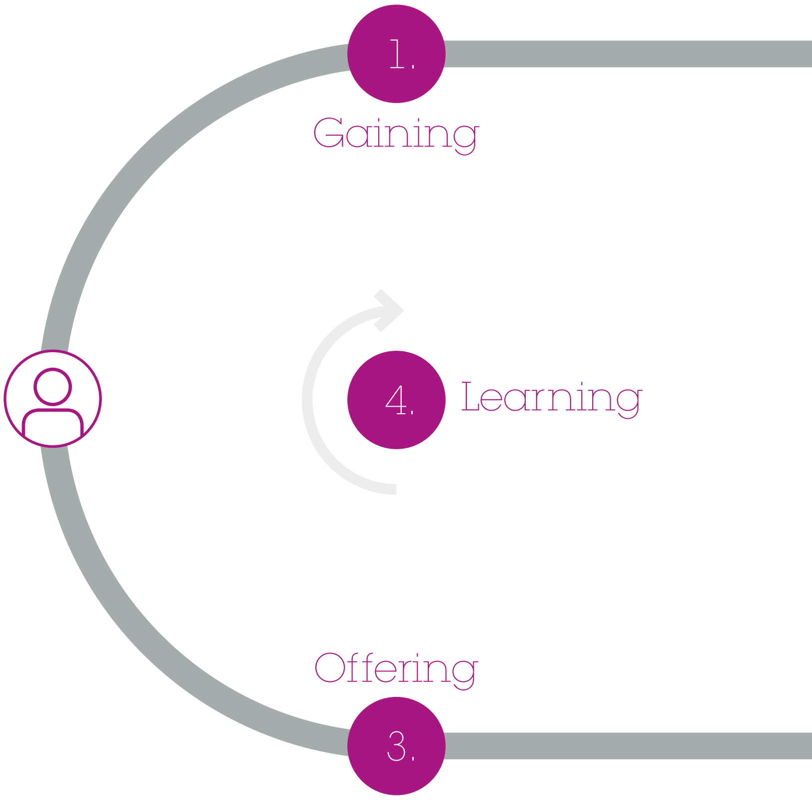
Our global footprint
We sell our products in over 140 countries through a variety of channels. Our global distribution network means that in most cases customers can have the product they need working in their lab within 48 hours of ordering. Our multilingual scientific support teams are on hand to help customers around the world with technical queries.

Our partners
We work with partners, including third-party suppliers who provide us with products, as well as distributors and industry partners who support the sale of our product portfolio. We are transparent about how we work in terms of ethics, quality, the environment and general business principles, and aim to build long-term collaborative relationships based on trust.

Our financial resources
We have an attractive financial profile and generate significant free cash flow. As a public listed company, we have access to capital through our shareholder base. We also have access to sources of third-party funding and capital through our relationships with banks and other financial institutions.

How we create and capture value

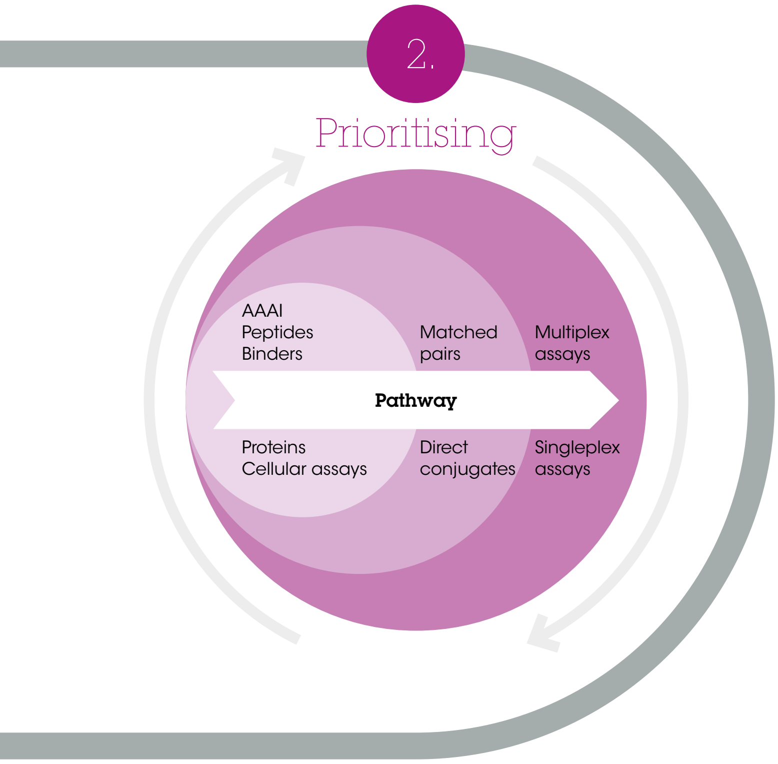
From Abcam's inception, we have increased the value of our products by adding performance data that is readily accessible to our consumers.



1. Gain insights into how our customers work and what they need
We maintain regular dialogue with key opinion leaders at industry events, conduct consumer surveys and focus groups and are continuously interacting with consumers through our scientific support teams and other customer touch points. This allows us to keep up with market and research trends and gain insights into our customers in both academia and industry. In addition to these opportunities to listen, we make extensive use of the data analytics from our website and other data sources to uncover unmet needs, and then apply these learnings, as appropriate, to our product development pipeline.

2. Prioritise high-value pathways and targets, tailor and extend product portfolio
We focus on the areas of greatest technical and commercial need and then innovate. This starts with an understanding of which biological pathways and research targets are most important to researchers. Once we have identified a consumer need, we use our portfolio of leading antibody and immunoassay technologies to create unique, effective solutions. We also offer a range of complementary products that are related to these pathways and targets. As we add more data, we add more value to the products and give researchers confidence that the products will work first time and every time.

We are now expanding how we add value by increasing the feedback mechanisms for consumers, acting on these insights and providing products for difficult targets.



3. Quickly offer what consumers need through digital and offline channels

Our digital platform plus our offline channels provide customers with what they want faster, wherever they are, and in the format they prefer. We continue to focus on ways to improve the ease and efficiency with which consumers are able to find and access the products and services they need. In addition to our digital channels, we have an extensive range of offline channels: Abcam-hosted conferences, other conferences we attend, our field sales teams, and our global customer and technical support teams.

4. Learning

We constantly learn from our consumer interactions and improve our offering as a result.

Broadening our offering

We continuously review opportunities to expand our offering to consumers by broadening our product range, improving speed to market and accessing underpenetrated consumer groups in the markets we serve. One area that continues to be attractive to us is broadening Abcam's offerings as a development and supply partner in the diagnostic and therapeutic markets. Although still in the early stages of development, we have already had success partnering with major diagnostic companies.

Outputs

Delivering value for all our stakeholders:

Our consumers

Our portfolio of leading-edge antibody technologies, comprehensive consumer insights, personalised support, data, and continually growing range of high-quality research reagents help our consumers to accelerate scientific discovery in the laboratory and apply those discoveries in the clinic.

Our people

Essential to our success is listening to our employees and recognising their achievements. Our people remain highly motivated by the opportunities we provide to gain additional skills and experience and to help advance their careers at Abcam.

Our shareholders

Operating transparently and responsibly, we regularly engage with our investors. We manage our business to generate attractive and sustainable long-term economic returns.

Our partners

Our product suppliers benefit from our global distribution network, digital platform and recognised brand to support the sales of their products. Our industry partners receive access to our products and technologies, supporting the development of antibodies and immunoassays that they are able to take to market for diagnostic and therapeutic use.

Our communities

We support a range of local initiatives and work with organisations to share best practice and knowledge in our sector. We support young people with employment opportunities, internships and work experience where possible.

Related content

Corporate social responsibility – pages 16 to 19

Behaving responsibly is fundamental to how we do business. Our core purpose is to provide life scientists with the tools and reagents they need to advance their research. We strive to ensure our products and services are of the highest quality, are effective and are easy to find. Whilst what we deliver for customers is critical, we also focus on how we deliver it, and our wider impact.

Our CSR activities are focused around the following key areas:

1. Delivering for our customers
2. Empowering our people
3. Working responsibly with our partners
4. Behaving ethically across our business
5. Supporting our communities

1. Delivering for our customers

The scientists who use our products and services are our primary stakeholders and central to our mission. To ensure that we anticipate and address their needs, it is critical that we listen to them, offer reliable products and provide the support they need.

Active listening
We listen in a variety of ways. We conduct consumer surveys and focus groups and continuously interact with consumers through our scientific support teams and other customer touch points. The feedback from these engagement channels is fed into our innovation process to help inform our new product developments and improve our service offering.

Customers are offered the chance to provide feedback on our service after every interaction and we measure satisfaction levels through our transactional Net Promotor Score (tNPS), which is a strategic KPI of the business. We believe tNPS is a truer measure of customer satisfaction than the more traditional NPS because it is based on actual interactions rather than on a general perception of brand.

Whilst our score increased to 64% in 2017/18 (2016/17: 62%), there are still areas across the business where we can improve our service for customers, and this continues to be a key area of focus for our business.

Product quality

We strive to provide scientists with products they can rely on, which work as expected, avoiding wasted time and funding. To this end, we continue to invest in a variety of initiatives across the business to keep raising quality standards, including our knockout validation programme (see page 25 for more details). As a result of this ongoing work, the level of product complaints fell to its lowest rate in five years in 2017/18.

Customer support

We continue to work to ensure that scientists receive the support they need to carry out their research effectively and efficiently. This includes the ongoing investment in the curation and update of product data to over 100 customer and scientific support staff who advise our customers and help to resolve their problems.

Together our global scientific and customer support teams received over 240,000 enquiries last year, responding to the vast majority within 24 hours.

As part of our Abpromise® guarantee, customers can contact us by phone, email, Twitter or Facebook. We provide support in languages including Chinese, French, German, Japanese and Spanish.

2. Empowering our people

Attracting and retaining the best talent is crucial to the delivery of our strategy. At 30 June 2018, across our eleven global locations we employed over 1,100 people. We work hard to create a positive and healthy work environment where people feel valued and respected and know they make a real difference. In the latest annual global employee survey, conducted in July 2018, employee satisfaction levels were the highest since the surveys were introduced.

During the year, we launched several performance, engagement, development and well-being initiatives to support these objectives, including:

- Launching our new global behaviours across the organisation with champions to deliver workshops and action plans to ensure people understand why these behaviours are important
- Investing in leadership training to provide our leaders with the skills required to motivate and engage their teams and attract and hire the best new talent
- Partnering with a new survey provider with plans to move to more frequent 'pulse' surveys for employees, to provide more timely, actionable, feedback
- Developing a global all-employee share plan to be launched in Q1 2018/19

Training and career development

Abcam is dedicated to investing in the continuous development of its people. In our latest employee survey, 71% of employees rated they felt 'positive' or 'very positive' about having their learning and development needs met. Highlights of our training and development activities over the last 12 months include:

- Record level of online and offline training undertaken by employees
- New approach to performance management piloted, designed to better identify future potential
- Leadership and management training programmes attended by over 250 employees – almost a quarter of the workforce
- Extended our UK apprentice scheme, following initial success

Rewards and benefits

We recognise that rewarding employees fairly, equitably and competitively is key to attracting and maintaining a motivated workforce. In the last year we have undertaken a job evaluation process using a global grading methodology to ensure that our employees are rewarded fairly. In support of this, we also undertake regular reviews of our reward data to ensure that equal pay issues are not encountered.

We offer a range of incentives and management bonuses related to both Group and personal performance to create alignment between an individual's contribution and the delivery of our strategic goals.

Customer engagement: transactional Net Promotor Score (tNPS) of 64%

+2%

Year-on-year improvement in tNPS (rolling 12m)

6,000+

tNPS customer responses received (2017/18)

1,470,000

Total customer enquires (2017/18)

> **Abcam's team was highly responsive, gave excellent advice and worked with us to resolve any issues we encountered. Not every company we deal with partners with customers in this way.**
>
> **Customer feedback, tNPS survey**
> June 2018

Open communication

We aim to create a positive, collaborative working environment and ensure everyone is aware of the contribution they can make. We want employees to be engaged and motivated and have opportunities to openly share feedback and ideas. As a conversational organisation, we engage with our people through a number of channels, including regular updates posted on our group-wide intranet, 'town hall' meetings and global updates from our CEO and other members of the Executive Leadership Team. These events are translated for employees where English is not their first language. We also provide an anonymous service 'Ask Alan' allowing anyone to send a question on any topic to the CEO, the answers being made available to all employees.

Equal opportunities

It is important that our business includes people from different backgrounds and cultures who have diverse skills and experience, and we are committed to providing equal opportunities for all potential and existing employees in a working environment which is free from discrimination.

This year we set up a Women in Leadership group to look at improving the representation of women in management positions using the methodology recommended in the Hampton-Alexander review. We also published our UK gender pay gap report which showed a mean pay gap of 14.2% and a median pay gap of 11.1%. We are dedicated to addressing our gender pay gap and we are currently looking at ways to identify and address broader diversity issues including social background and ethnicity.

Health and safety

We provide a safe work environment for employees and ensure we follow legal requirements and best practice standards. Employee participation in the delivery of our health and safety strategy is crucial and representatives from all offices are involved in championing healthy and safe working practices and supporting the annual safety audit.

This year we added near-miss reporting to our Health and Safety Board reports and have seen zero lost time due to accidents or injuries in the year.

3. Working responsibly with our partners

To meet our customers' needs we rely on a series of partners, suppliers and the distributors of our products. Our goal is to work collaboratively to build stable, long-term relationships.

We expect our suppliers and distributors to demonstrate a culture that reinforces ethical and lawful behaviours and ensure all aspects of their business complies with applicable laws and regulations, both in the country in which they operate, and in the country to which the services or products are supplied.

Last year we developed and launched our Supplier and Distributor Codes of Conduct detailing our expectations of these partners in a wide range of areas including anti-bribery and corruption, employment practices and health and safety. These Codes are published on our website. We also provide annual anti-bribery training to all distributors.

All suppliers and distributors are required to sign up to and abide by these Codes. Since the launch we have transferred almost half of our current suppliers across to the new Codes and continue to work hard to transfer those that remain.

4. Behaving ethically across our business

Earning trust and behaving in a socially and environmentally responsible way protects our reputation and underpins our long-term future.

During 2016/17 we launched 'How we do things at Abcam', our Code of Conduct for employees. We strive to ensure that all relevant employees complete the necessary training and completion is carefully monitored. Our whistleblowing hotline and portal, 'Speak-Up', enables employees to provide feedback or raise concerns anonymously in their own language.

Our legal and compliance function works with the Audit and Risk Committee and the Board to provide visibility to our leadership of compliance initiatives and ensure Board oversight of adherence to Abcam's ethical principles.

Maintaining data privacy and security

We have defined and implemented relevant policies and procedures to ensure compliance with all applicable data protection legislation, including the EU General Data Protection Regulation (GDPR) which came into force in May 2018. Our data privacy standard, 'How we do data at Abcam' is available on our website.

Reducing our impact on the environment

Operating sustainable practices is important to Abcam's success and we continue to look at ways to reduce our environmental impact and improve resource efficiency.

As an online business, we ship to customers in over 140 countries and territories from our logistics centres in the UK, US, China and Japan. The biggest environmental impacts from our business are carbon emissions from customer deliveries, the running of our buildings, employee travel and waste from our packaging. We are focusing on these areas to improve operational and resource efficiency.

Developments during the last year include:

- Initiating an environment policy, to be launched in the UK initially before being rolled-out globally, designed to standardise, monitor and reduce our environmental impact
- Three of our manufacturing sites have ISO9001 or ISO13485 accreditation which recognise quality management
- Launching an 'agile working' initiative in the UK which will support a reduction in employee-related travel

"Ethical conduct from each of us is essential and non-negotiable at Abcam. Doing so is the only path to being the trustworthy partner to help life scientists discover more, faster.

Alan Hirzel
Chief Executive Officer

5. Supporting our communities

Abcam has a proud history of involvement with local communities by supporting and partnering with organisations that help advance life sciences research. We aim to help communities through programmes that inspire the next generation of scientists, and support life sciences research through corporate giving and fundraising activities. We are in the process of establishing a global charity and fundraising committee network so that we can contribute more fully to our communities and to those who help advance life sciences research.

Charitable causes and local projects

A percentage of the previous year's Profit Before Tax is allocated each year to charitable donations. Globally, we support and run many local charity and community projects which are decided upon by local employee teams. From charity events to extreme sports challenges, these activities deliver for our local communities around the world and are an important way of enabling our employees to feel engaged and connected with those communities. Local stories are shared and celebrated regionally and across our organisation through a variety of employee communication channels. We also make donations to local, national and international charities.

Partnering with In2Science to encourage the next generation of scientists

In2Science is an award-winning charity founded by research scientists with the mission to help young people from under-represented backgrounds progress to science degrees and into professions while promoting diversity and equal opportunities.

Abcam's involvement with In2Science began in 2016 and continued throughout this year, with the launch of the Abcam In2Science Scholars programme, where five secondary school students joined a year-long educational programme based in Cambridge, UK.

> **The experience has inspired me to work within the research field … I have a better understanding of the career paths that are open to me.**
>
> **In2Science Scholar**

71%

Employees feeling 'positive' or 'very positive' about learning and development opportunities

250+

People attending leadership and management training programmes

Our strategy is designed to generate profitable growth and improve our long-term financial performance, in support of our ambition to serve life scientists to achieve their mission, faster.

An overview of the progress we have made against each of our five multi-year priorities is set out in the following table:

1

Sustain antibody and digital marketing leadership

Long-term objective:
To generate above market revenue growth in our core research antibody markets

Priorities for 2017/18

- Continue to drive market share gains for primary antibodies by focusing on high-value targets
- Continue validation and raising quality standard initiatives, ensuring we supply products which are specific, selective and reproducible in the context for which our consumers use them
- Retain existing consumers and attract new ones by implementing the next phase of our digital marketing vision

What we achieved

- Delivered primary antibody revenue growth ahead of the global market growth rate
- Further enhanced our target selection process to increase the success of new products
- Implemented process improvements to shorten lead times, improving the success rates of product launches
- Continued to work with suppliers to add validation data as well as delivering improvements in our own range through enhanced antibody validation and production techniques
- Continued to grow and enhance our digital footprint, driving better engagement and conversion

2018/19 priorities

- Continue to develop new products focused on high-value areas, based on customers' research needs
- Further enhance our product validation and continue to raise product quality standards across the catalogue
- Implement the next phase of our growth strategy for China

Link to KPIs

- Total revenue growth (CER)
- Recombinant revenue growth (CER)
- tNPS

Link to Principal Risks

1 Increased competition
3 Availability of research funding
4 ERP project/IT infrastructure
5 Cyber security
6 Loss of output
7 Inadequate resources
9 Reputational risk
11 Non-compliance with laws and regulations

2

Expand in related growth markets

Long-term objective:
To generate value through the addition of new product ranges and services and by extending our geographic penetration

Priorities for 2017/18
- Continue to grow our immunoassay business in line with multi-year aspiration
- Expand the number of 'Abcam Inside' projects and framework agreements

What we achieved
- Published over 200 new SimpleStep ELISA® immunoassay products on the catalogue
- Further developed FirePlex® multiplex platform, validating over 150 pairs of antibodies and launching a high throughput product (Fireplex®-HT) to simplify and speed up workflows
- Further expanded electronic catalogue connections to large-volume customers
- Continued to expand addressable market in custom products and licensing, with 28 new framework agreements signed and over 150 projects initiated for pharmaceutical and diagnostic development partners

2018/19 priorities
- Continue to grow our immunoassay business in line with multi-year aspiration
- Continue to expand the number of Abcam Inside projects and framework agreements
- Launch teams to develop one to two new capability areas

Link to KPIs
- Total revenue growth (CER)
- Immunoassay revenue growth (CER)

Link to Principal Risks
1 Increased competition
2 Execution of acquisitions
3 Availability of research funding
4 ERP project/IT infrastructure
5 Cyber security
6 Loss of output
7 Inadequate resources
9 Reputational risk

3

Invest in operating capabilities for 2x 2016 scale by 2023

Long-term objective:
To invest in our people, systems and infrastructure to ensure we have the appropriate capabilities to support our business as it grows

Priorities for 2017/18
- Successfully implement Oracle Cloud and complete alignment of organisation
- Complete implementation of Supply Chain and Manufacturing function
- Further improve organisational engagement

What we achieved
- Continued to progress development of our new enterprise resource planning (ERP) system, although at a slower pace than planned
- Delivered distribution improvement projects in the UK, US and China
- Continued construction of our new UK headquarters on the Cambridge Biomedical Campus – on track to move in during 2018/19
- Continued investment to support employee engagement and development across our global organisation

2018/19 priorities
- Successfully deploy next phases of Oracle Cloud ERP
- Roll-out equity participation scheme to global employees
- Successfully move UK team to the new headquarters on the Cambridge Biomedical Campus
- Continue to fill or enhance our capabilities across supply chain and manufacturing, IT and new growth projects

Link to KPIs
- Adjusted Profit Before Tax

Link to Principal Risks
3 Availability of research funding
4 ERP project/IT infrastructure
5 Cyber security
6 Loss of output
7 Inadequate resources
9 Reputational risk

4 Sustain attractive economics

Long-term objective:
To maintain operational efficiency and cost effectiveness to support sustainable, profitable growth

Priorities for 2017/18
- Deliver major capital projects within planned costs and time
- Realise productivity gains
- Move to direct distribution in at least one more market

What we achieved
- Identified and delivered operating efficiencies and productivity gains, including the successful closure and outsourcing of our Bristol, UK manufacturing operations
- Delivered further procurement efficiency benefits through the creation of our global procurement function
- Made preparations to move to direct distribution in more markets

2018/19 priorities
- Continue to realise productivity gains
- Move to direct distribution in more markets

Link to KPIs
- Adjusted Profit Before Tax
- Return on Capital Employed

Link to Principal Risks
1 Increased competition
4 ERP project/IT infrastructure
5 Cyber security
6 Loss of output
7 Inadequate resources
8 Inadequate acquisition integration
9 Reputational risk
10 Foreign exchange movements
11 Non-compliance with laws and regulations

5 Supplement organic growth – acquisitions and partnerships

Long-term objective:
To make selected partnerships and acquisitions that add to our competitive advantage and supplement our organic revenue growth

Priorities for 2017/18
- Strengthen relationships for future deals

What we achieved
- Signed exclusive licence agreement with Roche covering a portfolio of approximately 760 products, including 243 RabMAb® products
- Entered into a number of collaborations with industry partners

2018/19 priorities
- Continue to strengthen relationships for future deals

Link to KPIs
- Total revenue growth (CER)
- Adjusted Profit Before Tax

Link to Principal Risks
1 Increased competition
2 Execution of acquisitions
4 ERP project/IT infrastructure
7 Inadequate resources
8 Inadequate acquisition integration
9 Reputational risk

Sustaining long-term growth by focusing on our customers

Our capabilities and customer focused strategy are opening growth opportunities in addressable markets of approximately $8 billion.

Across our core reagents business, we continue to focus on providing scientists with the most reliable and effective tools to advance their research. We are building further on our reputation for providing comprehensive, transparent data, fast delivery, excellent customer service and expert technical support.

At the same time, through investment and acquisition, we are expanding into new markets, identifying new technologies and applications that allow us to better serve the needs of our customers, whilst moving into new geographic regions to expand our reach.

Key areas of focus across our business over the last 12 months include:

- Anticipating and serving customer needs, faster

- A relentless focus on improving quality

- Innovating in immunoassays

- Extending our services for diagnostic and therapeutic antibody customers

Anticipating and serving customer needs, faster

New proteomics targets are constantly being identified by scientists around the world as they strive to advance their understanding of crucial biological pathways, creating demand for effective new research tools. Driven by those needs, in 2018 Abcam published over 1,700 new recombinant RabMAb antibodies on its catalogue and added many more applications for its existing antibodies. New products included antibodies developed for targets across major research areas such as oncology, neuroscience and epigenetics, antibodies conjugated with dyes, antibody pairs and affinity binders for our kits.

We continue to invest in ways to deepen our understanding of customers so that we can better anticipate their needs and identify high-value targets. At the same time, we are working to improve our website and digital marketing capabilities, increasing the ease and efficiency with which consumers can find and use those products, as well as investing in our R&D, supply chain and manufacturing capabilities, to enable us to increase the speed at which we can create, manufacture and deliver those products to customers.

How our customers benefit
Customers benefit by being able to conveniently find and access the products and information they need to confidently conduct their research.

How this translates into growth
Consistently offering convenient and fast access to the products researchers need, together with expert support, helps us to maintain the loyalty of existing customers and attract new ones.

Alignment to strategy

1 2 3 4 5

30.5%

Number of protein targets where Abcam holds #1 position (by citation): 21.9% (2013) to 30.5% (2017)

1,700+

Recombinant RabMAb® products added to the catalogue

Highly commended – Researcher's choice: Antibody company succeeding in cancer biology, antibody company of the year

"Our collaboration with Abcam has been extremely successful. Abcam's Custom Products team developed new antibodies for challenging targets. The antibodies are not only high-quality, but Abcam's team has managed to significantly reduce the lead time of development, helping to speed up our research. Indeed, without our collaboration with Abcam, our work would have taken at least six months longer.

Dr Feng Shao
National Institute of Biological Sciences, Beijing, China

Improving cancer treatment

Chemotherapy can cause a host of harsh side effects. This is because the drugs used cause a type of cell death known as pyroptosis. Unlike 'normal' programmed cell death (apoptosis), pyroptosis is highly inflammatory. Dr Shao and his team discovered that by changing the levels of a particular protein, gasdermin E (GSDME), these adverse side effects could be lessened or even avoided.

Working closely with Abcam to develop custom recombinant RabMAb® antibodies, Dr Shao was able to identify the levels of GSDME across dozens of normal and cancerous cells and tissues. He proved that high GSDME levels cause cells to undergo pyroptosis rather than the much less-damaging apoptosis in response to chemotherapy drugs.

Crucial to Dr Shao's research was using a highly sensitive antibody. The antibody developed with Abcam enabled detection of GSDME at very low levels. Dr Shao estimated that without the collaboration with Abcam, his team would have required at least an additional six months to produce their Nature paper. This work not only gives great insight into cell death and cancer but raises the possibility of improving chemotherapy outcomes and using GSDME as a cancer diagnostic or prognostic tool.

A relentless focus on improving quality

The quality of antibodies – measured by their specificity, sensitivity and repeatability – is a priority for our customers and, therefore, a major focus of our work and investment at Abcam. We are investing to increase the standards and breadth of product validation, including over 1,400 products that now benefit from our market-leading knockout validation.

Our investments in the latest recombinant antibody production technology mean that our more than 12,800 recombinant antibodies ensure the highest standard of repeatability for researchers and drug development teams. At the same time, we continue to work closely with our supplier partners to ensure that they meet our high standards.

Together, these initiatives are ensuring we continuously improve the reliability and performance of our products, helping to earn the loyalty of our existing customers whilst attracting new ones.

How our customers benefit
Providing high-quality products with detailed and reliable data helps to increase our customers' confidence in their results.

How this translates into growth
Consistently meeting the high expectations of our customers helps us to gain share in our markets over time.

Alignment to strategy

1 2 3 4 5

$10bn
Estimated annual US research wasted due to reagent quality (Source: PLOS study, June 2015)

1,400+
Abcam products knockout validated to date

+22.3%
Growth (CER) in Abcam's recombinant product sales (2017/18)

As with all protein research, our work in epigenetics requires highly sensitive and specific antibodies to ensure consistent and clear signals. We have worked with Abcam's recombinant RabMAb® antibodies in the past and value their best-in-class quality and performance, which provides confidence in our research.

Professor Jinzhong Qin
Nanjing University, Nanjing, China

Advancing research through collaboration

Professor Jinzhong Qin specialises in regulatory mechanisms of epigenetics, particularly in the proliferation and differentiation of stem cells. He has come to rely upon the merits of Abcam's range of highly sensitive and specific recombinant RabMAb® products. As a result, he recently partnered with Abcam to develop custom RabMAb® products. This has led to several new primary antibodies being added to the Abcam catalogue against important targets (like polycomb proteins and M-phase phospho-proteins). These have been pivotal in Professor Qin's research discoveries.

Innovating in immunoassays

Kits and assays remain an important growth opportunity for Abcam, with an estimated market size of approximately $500 million for research use. These kits contain all the reagents researchers need to run an experiment and can save considerable time.

We are investing and innovating to move our market-leading antibodies into these products as quickly as possible and at the same time we are raising awareness of these products amongst our consumer base. In the last year we created new products using our recombinant antibody and FirePlex® assay technologies including high-throughput assays to address new customer needs. Overall, we have introduced approximately 400 new immunoassay products during the year, including matched antibody pairs, singleplex immunoassays (SimpleStep ELISA®), and multiplex immunoassays using the FirePlex® particle platform.

At the same time, we have established supply agreements with several leading instrument partners as we work to expand the availability of Abcam's differentiated antibody content to the widest population of scientists, across the broadest range of platforms.

How our customers benefit
Putting our high-performance antibodies into our singleplex and multiplex kits helps customers save time whilst ensuring that the reliability of results is maintained.

How this translates into growth
Abcam has an opportunity to continue to grow its share of the immunoassay market by consistently providing high-quality, differentiated products.

Alignment to strategy

1 **2** 3 4 **5**

+25.4%
Immunoassay growth (CER)

2,500+
Immunoassay kits on our catalogue

Abcam enabled us to further research into cancer which could see patients get earlier treatment. Abcam's FirePlex® microRNA platform has been a vital part of our research. Not only have I been able to speed up my research and reduce the use of precious sample requirements, but we have managed to identify a key cancer biomarker.

Jordan L Plieskatt
Department of Microbiology, Immunology, and Tropical Medicine, The George Washington University, USA

Helping to diagnose and fight cancer with help from FirePlex® assays
Common to Southeast Asia is a small flatworm that you can pick up from eating raw or undercooked fish. Infection with this parasite will predispose you to a cancer of the bile ducts.

Jordan had been looking at microRNA (miRNA) in blood samples for biomarkers to diagnose this cancer. FirePlex® allowed Jordan to evaluate miRNA from small samples faster and more cost-effectively than traditional methods which require large samples and are tricky to run. It has helped him identify a useful biomarker for this cancer, with the potential for patients to get earlier clinical treatment through earlier diagnosis.

FirePlex® looks set to help with the ongoing development of an affordable diagnostic for this disease and other similar infection-related cancers.

Extending our services for diagnostic and therapeutic antibody customers

Beyond our expertise in the development and sale of research antibodies, we retain strong capabilities in the custom design and manufacture of recombinant antibodies and are building an emerging reputation for successfully partnering with pharmaceutical, diagnostic and instrumentation companies.

We continued to strengthen our commercial and development teams in the year, further extending our capabilities in this area. To date, we have put in place development agreements with over 20 leading diagnostic and biopharmaceutical companies, supporting their diagnostic and clinical programmes.

How our customers benefit

Businesses work with Abcam to help develop antibodies and immunoassays that they then take to market for diagnostic and therapeutic use.

How this translates into growth

Abcam benefits from these relationships through opportunities to license, and from downstream milestones and potential royalties, as well as from the opportunity to sell the research-grade version of the antibody or immunoassay into our core research markets via our website. For more information on the diagnostic and therapeutic market opportunity see Our Markets section on pages 8 to 13.

Alignment to strategy

1 2 3 4 5

+17.6%

2017/18 CER growth in Custom Products and Licensing revenue

28

Frameworks agreements entered in 2017/18

150+

Custom projects initiated in 2017/18

We have been working closely with Abcam for several years now to help develop antibodies for our assays. Critical to our partnership is the trust we place in Abcam to provide us with high-precision antibodies suitable for the stringent standards required in clinical use.

Koen Dewaele
CEO, ADx NeuroSciences, Belgium

Precision antibodies for clinical use

ADx NeuroSciences develop state-of-the-art biomarker-assays to diagnose a wide variety of neurodegenerative diseases. Pharmaceutical companies rely on those assays to accelerate and improve the design of large clinical trials, and their assays therefore require highly validated, specific and sensitive antibodies that are suitable for routine commercial use.

Sourcing reliable antibodies with the correct performance characteristics is a major challenge in commercial assay development. ADx NeuroSciences chose Abcam as a valued partner in their assay development programmes due to Abcam's advanced antibody discovery capabilities and portfolio of existing affinity binders.

How we measure success

We measure our performance against a number of strategic and financial KPIs. Success against our strategic KPIs forms a component of the Executive Directors' and senior management's incentives.

In 2018 we revised our strategic KPIs to better reflect the overall direction of the business and our updated strategic priorities. They are:

Strategic KPIs

Recombinant antibody CER revenue growth

22.3%

2017/18 target: 20–25%
2018/19 target: 20%+

Description:
Constant currency revenue growth of all recombinant antibodies published in our catalogue.

Recombinant antibodies are synthesised from modified DNA in an artificial system that permits rapid production. There are over 12,800 recombinant antibodies published on our catalogue.

Why this metric is important:
Recombinant antibodies, which can offer several benefits to our customers, including improved consistency, sensitivity and specificity, are a fundamental contributor to our growth strategy.

How we performed:
At a constant exchange rate (CER) growth rate of 22.3%, our recombinant revenues have performed in line with our high expectations in the year.

Alignment to strategy

1 2 3 4 5

Related material
Principal risks and uncertainties – pages 35 to 38
Chief Executive's strategic review – pages 4 to 7

Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

Immunoassay CER revenue growth

25.4%

2017/18 target: 20–25%
2018/19 target: 20%+

Description:
Constant currency revenue growth of all Immunoassay products published on our catalogue.

Immunoassays are multi-component products comprising antibodies and other reagents that are used to detect and quantify a wide range of biological molecules.

Why this metric is important:
Immunoassays remain a strategically important growth opportunity for Abcam and we continue to invest and innovate to increase the use of our market-leading antibodies in these products as rapidly as possible.

How we performed:
Immunoassay CER revenue growth was 25.4%, which is above the top end of our target range for the year.

Alignment to strategy

1 **2** 3 4 5

Related material
Principal risks and uncertainties – pages 35 to 38
Chief Executive's strategic review – pages 4 to 7

Transactional Net Promoter Score (tNPS)

64%

2017/18 target: 55–65%
2018/19 target: 57–67%

Description:
Transactional (often referred to as 'touchpoint') Net Promoter Score (tNPS) is an industry standard benchmark used to gauge the loyalty of our customer relationships based on their interactions with us. Over 6,000 surveys were completed in 2017/18.

Why this metric is important:
Allows us to monitor customer satisfaction on a timely basis, helping to determine the likelihood of consumers recommending Abcam to a colleague.

How we performed:
Our 12-month tNPS score rose by two percentage points to 64%, at the top end of our target range for the year

Alignment to strategy

1 2 3 4 5

Related material
Principal risks and uncertainties – page 35 to 38
Chief Executive's strategic review – pages 4 to 7

Financial KPIs

Total CER revenue growth

10.7%

2016/2017: 9.9%
2015/2016: 14.2%

Description:
Total revenue growth of the business on a constant exchange rate basis (CER). CER is achieved by applying the prior year's actual exchange rates to the current year's results

Why this metric is important:
Total revenue growth is a key metric for monitoring the Group's performance and ability to drive growth.

Calculating growth on a CER basis allows management to identify the relative year-on-year performance by removing the impact of currency movements which are outside of management's control.

How we performed:
At a constant exchange rate (CER) growth rate of 10.7%, slightly above last year's rate and in line with our ambition to grow approximately 11%.

Alignment to strategy

1 2 3 4 5

Related material
Principal risks and uncertainties – pages 35 to 38
Chief Executive's strategic review – pages 4 to 7

Adjusted Profit Before Tax

£81.6m

2016/2017: £64.6m
2015/2016: £53.8m

Description:
Profit Before Tax based on the related IFRS measure but excluding adjusting items (see note 7 of the financial statements for more information).

Why this metric is important:
The Board considers this measurement of profitability a viable alternative to underlying profit. It represents a key metric of overall business profitability.

How we performed:
Adjusted Profit Before Tax grew by 26.3% in the year.

Alignment to strategy

1 2 3 4 5

Related material
Principal risks and uncertainties – pages 35 to 38
Chief Executive's strategic review – pages 4 to 7

Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

Return on Capital Employed

22.2%

2016/2017: 19.6%
2015/2016: 18.1%

Description:
Return on Capital Employed (ROCE) is calculated by dividing adjusted operating profit by total capital employed at the end of the period.

Capital employed is calculated by subtracting the Group's current liabilities from its total assets.

Why this metric is important:
The Board believes that ROCE is a key tool in measuring the Group's financial efficiency and the resulting potential for future growth in value.

How we performed:
The Group's ROCE improved by 2.6 percentage points in the year, to 22.2%.

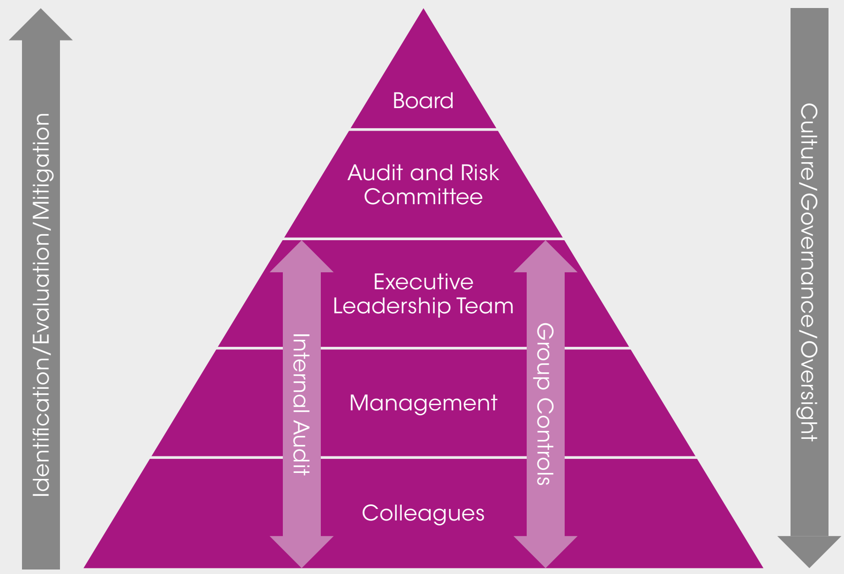
Alignment to strategy
1 2 3 **4** 5

Related material
Principal risks and uncertainties – pages 35 to 38
Chief Executive's strategic review – pages 4 to 7

Managing risk to ensure we sustain our growth

Abcam's risk management framework, policies and procedures are designed to identify, prevent and mitigate risks in the execution of the Group's strategy and day-to-day operations. Although no system of risk management can completely eliminate uncertainty, Abcam aims to ensure it is only exposed to appropriate risks which are managed effectively in accordance with the Group's risk appetite.

Risk management at Abcam



Risk management at Abcam

Effective risk management is essential to safeguarding Abcam's ongoing commercial success. The diagram illustrates the structure of the framework.

The key elements of Abcam's risk management framework, are:

Risk governance and culture

The Board has overall responsibility for Abcam's approach to risk management. This includes embedding an appropriate risk culture throughout the organisation and exercising governance and oversight over Abcam's risk management and internal control systems. The Board delegates certain risk management activities to the Audit and Risk Committee (ARC).

Management takes responsibility for day-to-day risk management in line with the policies, responsibilities and accountabilities set by the Board. The Executive Leadership Team (ELT) and senior management are accountable for the identification and evaluation of risks across the business, and the implementation and monitoring of risk responses.

The Board aims to embed an appropriate risk culture through implementing policies and risk appetites which limit situations that could be detrimental to the organisation. The risk culture encourages all levels of the organisation to take responsibility for risk management. This message is underpinned by Abcam's Code of Conduct, 'How we do things at Abcam', which seeks to foster an environment in which a high level of integrity and ethical behaviour is expected and required in all aspects of Abcam's operations.

Risk appetite

Risk appetite describes the types and amount of risks that the Board is willing to take in the achievement of Abcam's strategic and operational objectives, serving as a boundary to strategy. In setting risk appetite, the Board has considered the entrepreneurial and collaborative spirit that has supported the rapid growth of the business to date.

Scalability of the business is supported by setting appropriate risk appetite and reinforcing policies and controls which ensure growth. Abcam is committed to maintaining high ethical standards and complying with the applicable laws and regulations of the countries in which we operate. Furthermore, the Group has no appetite for significant reputational risk or for not providing appropriate facilities and tools for its staff to operate effectively.

During the year, the Board has reviewed and approved risk appetite both overall and in relation to each principal risk, together with the mitigating actions. The updated risk appetite statements have been embedded in the risk register, risk policy and everyday risk management.

Identification and evaluation of risk

The Board has identified the principal risks which could affect the achievement of its strategy and business objectives, including risks that would threaten Abcam's business model, solvency or liquidity. A formal process has been established for the ELT to identify and manage risks on an ongoing basis, supported by Group Finance through regular risk interviews and questionnaires. Using a centrally maintained risk register, risks are assessed and prioritised by severity, using a pre-defined scoring matrix of likelihood and impact for effective comparison and prioritisation.

Responding to risk

Risk response strategies are selected by management to ensure risks are appropriately mitigated and their severity is reduced to an acceptable level. The Board reviews and agrees the risk response strategies, monitoring them regularly for effectiveness and ensuring actions taken remain sufficient. Where appropriate, certain areas of risk are further mitigated by external insurance.

Internal control and assurance

Abcam has established a framework of controls focused primarily on financial reporting, management and safeguarding of assets across the business. An ongoing programme of control improvement is in place to enhance the design and effectiveness of controls as Abcam evolves and grows.

The risk management framework is further supported by Abcam's internal audit function which is outsourced to KPMG LLP. Internal audit reviews the operation of controls and supports the identification, monitoring and reporting on key areas of risk.

Risk monitoring and reporting

Management regularly monitors Abcam's portfolio view of risk and undertakes appropriate reporting to the ARC. The reporting uses dashboards and heat maps which illustrate the relative severity of existing risks (including any changes) and emerging risks. Agreed risk response strategies are also reported which enable challenge of the adequacy of any mitigating controls and actions.

The Board monitors the effectiveness of Abcam's risk management and internal control systems. In so doing it considers the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', taking into account the nature, size and complexity of the Company. Further information on the process applied by the Board in reviewing the effectiveness of Abcam's system of risk management and internal control is set out in the Audit and Risk Committee Report on pages 64 to 68.

Having considered all the elements of the risk management framework described above, the Board has concluded that it has taken all reasonable steps to satisfy itself that the risk management framework is effective and has addressed all material risks up to the date of approval of the Annual Report and Accounts 2018.

Principal risks

Abcam faces many risks and uncertainties in the delivery of its strategy. We recognise that taking risk is an inherent part of doing business, but that competitive advantage can be gained through effective management of these risks. The most material risks, as determined by the Board, are designated as principal risks.

During the year, the Board has carried out a robust assessment of the principal risks facing the Company. Whilst the Group is exposed to many risks, the Board has determined that all the principal risks previously reported in the 2017 Annual Report and Accounts remain the most significant. In reaching this conclusion the Board has considered the UK Corporate Governance Code 2016 requirements to give due regard to risks to the Group's strategy.

As noted in the prior year, Brexit and the American political landscape introduce more uncertainty into the business environment, however, these uncertainties are considered to be covered within the breadth of the existing principal risks. The Group continues to monitor developments in respect of Brexit and how these might affect the business.

Further additional information on the Group's financial risk management activities can be found in note 23 to the financial statements.

There may be other risks and uncertainties which are unknown to the Group or which could become material in the future. These risks may cause the Group's results to vary materially from historical and expected results. The Group monitors regularly any emerging risks.

The principal risks, their linkage to Abcam's strategy and an explanation of how the Group mitigates each risk is set out in the table below.

Summary of risk management in pursuit of our strategic objectives

Risk categories		Principal risk	Strategic priorities: 1 Sustain antibody and digital marketing leadership	2 Expand in related growth markets	3 Invest in operating capabilities for 2x 2016 scale by 2023	4 Sustain attractive economics	5 Supplement organic growth – acquisitions and partnerships
Strategic risks	1	Increased competition: specifically pinpointed to disruptive developments	✓	✓		✓	✓
	2	Identification, valuation and pursuit of acquisitions and investments		✓			✓
	3	Availability of research funding	✓	✓	✓		
Operational risks	4	ERP project/IT infrastructure	✓	✓	✓	✓	✓
	5	Cyber security risks including loss of data and website inaccessibility	✓	✓	✓	✓	
	6	Loss of output at any Group manufacturing or logistics facility	✓	✓	✓	✓	
	7	Business growth is constrained by not having appropriate people, resources and infrastructure in place	✓	✓	✓	✓	✓
	8	Inadequate integration or leverage of acquired businesses				✓	✓
Reputational risks	9	Reputational risk	✓	✓	✓	✓	✓
Financial risks	10	Significant exchange rate movements				✓	
Compliance risks	11	Non-compliance with laws and regulations	✓			✓	

Table of principal risks

The direction of change during the year is illustrated by the arrow in the 'Change' column. Please note that this refers to the overall change in the risk to the Group following mitigating actions.

- Increased risk
- No change to risk
- Decreased risk

Principal risks and uncertainties

Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

Strategic risks

Increased competition: specifically pinpointed to disruptive developments (1)

Change in year →

Principal risk and relevance

The risk of competitors introducing new technologies, channels and workarounds to better respond to rapidly evolving technological developments and consumer needs, strengthening product offerings, routes to market and/or human resources.

Abcam operates in a fragmented and competitive market. To maintain Abcam's position as the market leader in primary antibodies and to gain share in the other markets in which Abcam operates, it is essential to stay at the forefront of industry developments.

Potential impacts

- Demand for Abcam products adversely affected
- Inability to achieve long-term growth

Key mitigating activities

- Maintain market knowledge and monitor competitor developments and technologies
- Maintain large network of product suppliers and collaborators
- Well-established and progressive product content, datasheets, supply channels and logistic network
- Maintain investment in R&D and consumer insight programmes
- Appropriate intellectual property registrations and enforcement
- Further improvement in product quality to better meet customer needs*
- Hiring and developing the right talented people
- Continued measurement of Abcam brand strength
- Continuous commitment to product differentiation through innovation
- Predictive analytics used to identify high-value targets*

* New or expanded mitigation.

Alignment to strategy

1 2 3 4 5

Identification, valuation and pursuit of acquisitions and investments (2)

Change in year →

Principal risk and relevance

Abcam fails to acquire businesses which could bring added value.

Risks within acquisition targets are not fully identified which affects the valuation or acquisition rationale.

The valuation of acquired businesses is not justified as a result of failure to hit technical or commercial targets.

Potential impacts

- Dilution of the Abcam brand and/or distraction of management from more valuable initiatives
- Commercial under-performance and/or the absorption of resource which affects existing operations
- Investment returns not achieved and shareholder value eroded

Key mitigating activities

- External communications maintained with advisors and owners/management of businesses to ensure Abcam achieves sufficient visibility of businesses/potential transactions across the market
- Potential targets prioritised to ensure sufficient time and care spent on diligence
- Rigorous due diligence process conducted using internal and external experts to ensure Abcam fully evaluates the costs and benefits expected to accrue before any business purchase
- Business case for acquisition articulated clearly and key assumptions (financial, technical and operational) identified and stress-tested to ensure sufficient contingency in the acquisition process
- Specialist reviews of technology and business developments in the market continue

Alignment to strategy

1 2 3 4 5

Availability of research funding (3)

Change in year →

Principal risk and relevance

The risk of a substantial reduction in funding for life sciences research as a response to a fiscal contraction in one of Abcam's significant territories. Brexit has introduced some uncertainty into European markets and the US future research funding position has become less predictable.

Potential impacts

- Demand for Abcam products adversely affected

Key mitigating activities

- Mitigated to an extent given that Abcam trades globally and such issues are likely to be country or region specific
- Our products are used as research consumables, which are more resilient to budget cuts than large capital investment projects
- Further expansion into high-growth markets and/or high-margin products*
- Continued geographic penetration to diversify revenues from any single government funding source*
- Proactive monitoring of government spending plans and consideration of the impact on strategy
- Abcam Inside expanding reach outside of academic markets*
- Ongoing evaluation and monitoring of geographical trends including Brexit and US political conditions*

* New or expanded mitigation.

Alignment to strategy

1 2 3 4 5

Operational risks

ERP project/IT infrastructure
4

Change in year

Principal risk and relevance
The risk of non-delivery or significant delay in the critical components of the ERP project.

Potential impacts
- Failure of legacy systems which are not replaced
- Resourcing elsewhere in the business affected
- Decline in customer service levels
- Decline in operational efficiency
- Additional cost and extra time required

Key mitigating activities
- New governance structure and senior leadership in place*
- New systems integrator appointed with revised approach to a phased go live therefore reducing risks associated with a single global go live strategy*
- Phased approach requires a smaller internal and external team enabling more focused and manageable deliverables*
- New external consultants appointed to support the project*
- Oracle Cloud means limited customisation but a greater need for business transformation
- New approach to data migration capitalising on the system integrator's experience and skill set*
- Full review of programme by external third party including detailed review of existing system architecture and documentation*

* New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Cyber security risks including loss of data and website inaccessibility
5

Change in year

Principal risk and relevance
Abcam has exploited the use of online and ecommerce systems and relies on its website to attract customers and make sales.

Potential impacts
- Disruption to operations and/or lost sales
- Leak of commercially sensitive information
- Reputational damage
- Fines or penalties

Key mitigating activities
- Physical and software safeguards in place including maintaining latest patch levels, software versions and firmware updates, external firewall and anti-virus protection
- Dedicated cyber security resource in place*
- Detailed mitigation plan established and being implemented against growing global cyber security risk*
- Continued extensive investment in IT systems and training*
- Monitoring of evolving threats and anticipation of risks. Regular security reviews including penetration testing by external experts
- Cyber security maturity internal audits carried out by external experts*
- IT disaster recovery processes
- Cyber security insurance policy
- Regular public website failure testing

* New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Loss of output at any Group manufacturing or logistics facility
6

Change in year

Principal risk and relevance
The risk that a disruptive event or disaster occurs at a key facility.

Disruption to operations could arise from many different sources including environmental, health and safety or contamination issues, or interruption in service from key suppliers.

Potential impacts
- Disruption to manufacturing operations
- Disruption to sales operations and ability to serve customers

Key mitigating activities
- Manufacturing facilities across the world are spread across six facilities
- Business continuity planning and disaster recovery plans
- Saleable stocks of finished products held in logistics hubs globally
- Production stocks are stored in more than one location and related sequencing is backed up regularly
- Diversification of suppliers for key manufacturing inputs
- Strict quarantine procedures for cell lines with tested procedures for responding to mycoplasma infection
- Cryogenic storage and fridges are covered by alarms
- Significant proportion of catalogue revenues come from OEM suppliers
- Inbound quality control procedures
- Health and safety policies and procedures
- Business interruption insurance
- Operations transfer plan in place for transition to new headquarters*

* New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

Business growth is constrained by not having appropriate people, resources and infrastructure in place 7

Change in year

Principal risk and relevance
Abcam has enjoyed rapid growth increasing the size of operations and the number of people employed. Abcam's operational and IT infrastructure needs to be robust, efficient and scalable for the Group to continue to manage its growth; the contribution made by Abcam's highly skilled and dedicated staff has been, and will continue to be, essential to Abcam's future success.

Potential impacts
- Adverse effect on ability to grow and scale the business

Key mitigating activities
- Extensive investment in IT to maximise scalability, security and usability*
- Global content delivery partner used to increase reliability and access speed for static website content
- Dynamic website content served from an external, fully supported data centre
- Investment in global premises to ensure they are fit to support current operations and medium-term growth plans with employee assistance in place for the transition to new Cambridge global headquarters in 2019*
- In-house development to continually up-skill, supplemented with key external hires
- Open employee communication including employee NPS monitoring and improvement
- Widening share ownership plans to all employees globally during 2018/19
- Significant opportunities for learning and development, and leadership training
- Detailed resource planning and succession planning for key roles
- Focus on developing a strong and consistent culture across the organisation

* New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Inadequate integration or leverage of acquired businesses 8

Change in year

Principal risk and relevance
The risk of misjudging key elements of an acquisition or failing to integrate in an efficient and timely manner.

Potential impacts
- Disruption of existing operations
- Reduced return on investment

Key mitigating activities
- Detailed integration plan and dedicated integration teams in place prior to acquisition
- Regular communication on progress highlighting variations and remedial action taken
- ERP project expected to enhance our ability to integrate acquisitions
- Senior management with significant previous experience lead the integration process
- Regular monitoring of Roche integration, ensuring tracking against plan. Less complex than previous acquisitions and integration is progressing smoothly*

* New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Reputational risk

Reputational risk 9

Change in year

Principal risk and relevance
The risk of not meeting internal high standards of quality and ethical business practice.

Potential impacts
- Adverse effect on consumer trust and demand for Abcam products
- Increased cost of finance
- Staff hiring/retention impacted
- Difficulties in dealing with new and existing suppliers

Key mitigating activities
- Continued drive for improved product quality, including product testing using knockout validation
- Transactional Net Promoter Score (tNPS) measured regularly*
- Life Sciences Survey and consumer interactions monitored and addressed
- Consumer complaints and Abcam's responses are monitored at a senior level
- Codes of Conduct in place for employees, suppliers and distributors
- Product quality in the catalogue used as a differentiator
- Formal quality management system covering process documentation, competency and training
- Rigorous ongoing due diligence process for key suppliers including supplier visits*
- Mandatory on-line training for all staff on anti-bribery and corruption and General Data Protection Regulation (GDPR) with additional in-person briefings in Asia operations*

* New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

Financial risk

Significant exchange rate movements
10

Change in year

Principal risk and relevance

The risk of significant unfavourable foreign exchange movements.

The Group reports its results and pays dividends in Sterling. Operating and manufacturing companies trade in local currency. Main exposures are against the US Dollar, Euro, Japanese Yen and Chinese Renminbi.

Potential impacts

- Adverse effect on profitability and ability to meet financial targets
- Currency volatility has continued as a result of global macro-economic and political factors including Brexit and in the US

Key mitigating activities

- Clear communications strategy for results to ensure Group's currency exposures and hedging policies are understood
- Forward cover where appropriate and in line with the Group hedging policy
- Continued use of US Dollar, Euro, Japanese Yen and Chinese Renminbi forward contracts
- Where possible natural hedges created to match sales and costs in the same currency

Alignment to strategy

1 2 3 4 5

Compliance risk

Non-compliance with laws and regulations
11

Change in year

Principal risk and relevance

The risk of insufficient evaluation and non-compliance with legislation and regulation in the markets and countries in which Abcam operates.

Potential impacts

- Inability to manufacture or ship products
- Closure of a location
- Reputational damage
- Fines or late filing penalties
- Inability to report externally

Key mitigating activities

- Compliance with legislation and codes of best practice
- Regular external health and safety audits, checks and reporting
- External audits of quality management systems (ISO9001)*
- Subscription to available databases and use of health and safety and import/export experts to ensure Abcam is up to date
- Ongoing training on key regulation such as anti-bribery and corruption and GDPR*
- Legal department monitors changes to laws and regulations and oversees actions to ensure compliance
- Targeted internal audit reviews to ensure policies and training are embedded*
- Focus on low-risk tax strategy
- Code of Conduct, anti-bribery and associated training for all staff*

* New or expanded mitigation.

Alignment to strategy

1 2 3 4 5

Longer-term viability statement

The UK Corporate Governance Code requires the Board to assess the prospects of the Group over a period longer than the twelve months required by going concern provisions and to issue a 'viability statement'. The Board has selected a five-year assessment period for the viability statement as this aligns with our innovation pipeline and strategic planning window, and more than covers the period with large cash outflows on live major capital projects.

The process adopted to assess viability involved collaborative input from a range of business functions to model a series of theoretical 'stress test' scenarios linked to the Group's principal risks. Particular focus was given to business growth being constrained by not having appropriate people, resources and infrastructure, significant exchange rate movements and the availability of research funding. These scenarios included both significant adverse financial outcomes and operational failures. Consideration was given to the impact of mitigations as well as their inter-dependencies. The Audit and Risk Committee reviewed the process before the viability evaluation was provided to the Board to assist in its assessment.

The Directors have assessed the Group's prospects and resilience with reference to its current financial position, its recent and historical financial performance and forecasts, the Board's risk appetite, and the principal risks and mitigating factors. The Group is operationally and financially strong and has a track record of consistently generating profits and cash, and this is expected to continue.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Solid financial performance delivered in 2018

"

Abcam delivered another solid financial performance in the year. Our strong financial position and cash generation provide the resources to invest in our long-term strategy to build the platform for a much larger company, sustain our long-term profitable growth and serve the needs of our customers.

Gavin Wood
Chief Financial Officer

This financial review includes discussion of alternative performance measures which are defined in further detail in the investor information on page 146. These measures include adjusted financial measures, which are explained in note 1(c) and reconciled to the most directly comparable measure prepared in accordance with IFRS in note 7 to the financial statements. Further detail on the Group's financial performance is set out in the Financial Statements and notes thereto.

Constant exchange rates (CER) growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.

Highlights

- Total revenue increased by 7.4% on a reported basis and 10.7% on a constant exchange rate (CER) basis
  - Catalogue revenue grew 7.1% on a reported basis to £216.8m (2016/17: £202.4m) and 10.2% CER
  - Custom Product and Licensing (CP&L) revenue grew 11.6% on a reported basis to £16.4m (2016/17: £14.7m) and 17.6% CER
- EBITDA margin was 35.0% (2016/17: 32.5%) whilst Adjusted EBITDA margin increased to 37.9% (2016/17: 33.8%), primarily due to the rolling-off of hedging contracts in the prior year
- Reported PBT grew 33.1% to £69.1m and adjusted PBT grew 26.3% to £81.6m
- Reported diluted EPS grew 45.9% to 30.2p and adjusted diluted EPS grew 27.1% to 32.4p
- Strong cash generation continued, with net cash inflow from operating activities of £63.3m (2017/18: £66.4m)
- Proposed final dividend of 8.58 pence (2016/17: 7.36 pence), taking the proposed total annual dividend to 12.00 pence per share, an increase of 17.9%

Overview of 2018 performance

	Reported results Year ended 30 June			Adjusted results Year ended 30 June		
	2018 £m	2017 £m	*Growth*	**2018 £m**	2017 £m	*Growth*
Revenue	**233.2**	217.1	*7.4%*	**233.2**	217.1	*7.4%*
Gross profit	**163.0**	152.1	*7.2%*	**163.0**	152.1	*7.2%*
Gross profit margin (%)	***69.9%***	*70.1%*		***69.9%***	*70.1%*	
EBITDA	**81.7**	70.5	*15.9%*	**88.3**	73.3	*20.5%*
EBITDA margin (%)	***35.0%***	*32.5%*		***37.9%***	*33.8%*	
Depreciation and amortisation	**(12.9)**	(15.4)	*(16.2)%*	**(7.0)**	(8.9)	*(21.3)%*
Operating profit	**68.8**	55.1	*24.9%*	**81.3**	64.4	*26.2%*
Operating profit margin (%)	***29.5%***	*25.4%*		***34.9%***	*29.7%*	
Net finance income/(expense)	**0.3**	(3.2)	*n/a*	**0.3**	0.2	*50.0%*
Profit before tax	**69.1**	51.9	*33.1%*	**81.6**	64.6	*26.3%*
Taxation	**(6.9)**	(9.5)		**(14.9)**	(12.6)	
Profit after tax	**62.2**	42.4	*46.7%*	**66.7**	52.0	*28.3%*
Earnings per share						
Basic	**30.5p**	20.9p	*45.9%*	**32.7p**	25.7p	*27.2%*
Diluted	**30.2p**	20.7p	*45.9%*	**32.4p**	25.5p	*27.1%*
Annual Dividend per share	**12.00p**	10.18p	*17.9%*	**12.00p**	10.18p	*17.9%*
Net cash at end of period	**90.2**	84.8	*6.4%*	**90.2**	84.8	*6.4%*
Return on capital employed	**18.8%**	16.7%		**22.2%**	19.6%	

* EBITDA = Earnings before interest, tax, depreciation and amortisation.

Abcam has delivered another year of solid financial performance and this is reflected in the growth in adjusted earnings per share (adjusted EPS) of over 27%. On a reported basis EPS grew over 45%. Total CER revenue growth was up 10.7% and, as expected, our Custom Products & Licensing (CP&L) revenues returned to growth, rising 17.6% (CER). We believe we have once again delivered growth above underlying market rates in every region and whilst Japan experienced a more challenging market backdrop in the second half, China has continued to deliver at the high end of our expectations. We have maintained gross margin and we have continued to invest in the future of our business.

We are investing to ensure that we have the people, infrastructure, processes and IT systems to establish the platform that will allow the Group to grow to twice its 2016 scale by 2023. This year we have invested significantly in our Oracle Cloud ERP system making steady progress in the design, build, test and change management associated with the project. We have decided to adopt a phased approach to the implementation of the remaining modules to reduce the risk to our business and customers. During calendar 2019 we expect the most significant roll out will be the implementation of Oracle Fusion Finance modules in the majority of our global locations. The construction and preparations for our new headquarters in Cambridge, UK are progressing well, and we are looking forward to moving in early calendar 2019.

We continue to invest in our people, not only by ensuring we have the right teams, skills and capabilities globally, but also in their development, training and remuneration. In this regard, we are delighted to be launching a new global share scheme, available to all of our employees in the coming year. Looking forward, we are confident that our strong financial position and cash generation provide the resources to invest in our long-term strategy to build the infrastructure required for a much larger company, sustain our growth and serve the needs of our customers.

Revenue

	Reported Revenue 2018 £m	2017 £m	Increase/ (decrease) in reported revenue	CER growth rate
Catalogue regional split				
The Americas	**88.5**	86.5	*2.3%*	*8.0%*
EMEA	**62.6**	57.1	*9.6%*	*7.7%*
China	**33.0**	26.4	*25.0%*	*26.0%*
Japan	**16.2**	17.3	*(6.4%)*	*1.1%*
Rest of Asia Pacific	**16.5**	15.1	*9.3%*	*14.3%*
Catalogue revenue	**216.8**	202.4	*7.1%*	*10.2%*
Custom Products and Licensing (CP&L) revenue[1]	**16.4**	14.7	*11.6%*	*17.6%*
Total reported revenue	**233.2**	217.1	*7.4%*	*10.7%*
Catalogue product split				
Primary and secondary antibodies	**174.5**	165.5	*5.4%*	*8.4%*
of which Recombinant antibodies	***48.0***	40.4	*18.8%*	*22.3%*
Other products[2]	**42.3**	36.9	*14.6%*	*18.2%*
of which Immunoassay products	***15.0***	12.4	*21.0%*	*25.4%*
Catalogue revenue sub-total	**216.8**	202.4	*7.1%*	*10.2%*

1 Includes royalty income, custom services, IVD/IHC and licencing revenue.
2 Includes kits, assays, proteins, peptides, lysates and biochemical (AAAI) products

Total reported revenues for the year increased by 7.4% to £233.2m. Sterling was stronger against the basket of foreign currencies in which the Group trades which adversely impacted our reported revenues. Adjusting for this strengthening in Sterling, CER revenue growth was 10.7% (2016/17: 9.9%).

Catalogue revenue grew by £14.4m or 7.1% on a reported basis and 10.2% on a constant currency (CER) basis. Within this, the key product growth drivers were recombinant antibodies, with sales up by £7.6m or 18.8% to £48.0m (22.3% at CER), and immunoassay sales, which grew by £2.6m or 21.0% (25.4% at CER) to £15.0m. By region, China continues to be our fastest growing major market, up 25.0% (26.0% CER) and contributing 15.2% of Catalogue revenue, whilst Japan fell by 6.4% on a reported basis (up 1.1% CER), reflecting the more challenging market conditions.

CP&L revenue, comprising custom services, in vitro-diagnostic (IVD)/immunohistochemistry (IHC) and royalties and licence income, continues to remain an area of increased focus and investment for the Group. In line with our expectations, this area returned to growth in the year, rising by £1.7m or 11.6% (17.6% CER) to £16.4m (2016/17: £14.7m).

Gross margin

Reported gross margin was down very slightly to 69.9% (2016/17: 70.1%), with modest positive impacts from exchange rate movements and catalogue product mix offset by catalogue regional mix and the increase in CP&L revenue. We continue to anticipate gradual improvements to gross margin over time, driven by continued product mix and productivity improvements to our manufacturing sites as we introduce more automation.

Operating costs and expenses

	Reported 2018 £m	Reported 2017 £m	Reported % Change	Adjusted* 2018 £m	Adjusted* 2017 £m	Adjusted* % Change
Selling, general & administrative expenses	**78.2**	78.4	*(0.3)%*	**69.8**	73.5	*(5.0)%*
Research and development expenses	**16.0**	18.6	*(14.0)%*	**11.9**	14.2	*(16.2)%*
Total operating costs and expenses	**94.2**	97.0	*(2.9)%*	**81.7**	87.7	*(6.8)%*
Depreciation and Amortisation	**(12.9)**	(15.4)	*(16.2)%*	**(7.0)**	(8.9)	*(21.3)%*
Total operating costs and expenses excluding Depreciation and Amortisation	**81.3**	81.6	*(0.4)%*	**74.7**	78.8	*(5.2)%*
Share-based compensation	**3.4**	3.9	*(12.8)%*	**3.4**	3.9	*(12.8)%*

* Details of items excluded from reported costs and expenses to arrive at Adjusted costs and expenses are provided in Adjusting items below and in note 7 to the financial statements.

Selling, general & administrative expenses

We have continued to invest in Abcam's capabilities, people, processes and IT systems to support and drive our medium and long-term growth aspirations. Excluding foreign exchange related impacts, selling, general and administrative expenses rose by 14.1% on an adjusted basis. On a reported basis, after the impact of the year-on-year movement in exchange rates, expenses decreased by £0.2m or 0.3%.

Included in the year-on-year movement in reported expenses are the following key items:

- £3.8m increase in spend relating to the further strengthening of our commercial, marketing and support teams, with key people being recruited into our Portfolio and Business Development team, an area of strategic importance for the business;
- £2.1m cost increase in global operations and logistics, related to the increase in revenue volumes and organisational redesign, including further roles to build in-house expertise in global operational processes and increased premises space to accommodate expansion of operations;
- £2.3m increase in operational costs associated with the work performed on the Oracle Cloud ERP project, to £6.1m (2016/17: £3.8m); and
- £12.8m year-on-year foreign exchange related reduction owing to the relative strength of Sterling. This comprises £1.6m of costs denominated in the currency of the Group's overseas entities (which, when translated into stronger Sterling results in lower charges to expenses), £10.6m of year-on-year net currency benefit from forward selling currency contracts and £0.6m of translational currency impacts.

The charge for share-based payments fell £0.5m in the year, to £3.4m (2016/17: £3.9m). This figure is expected to increase in 2019 following the implementation of a new global all employee share scheme.

Within reported expenses, depreciation and amortisation expenses decreased by £2.0m in the year to £6.3m, including £1.8m related to the amortisation of acquisition intangibles (2016/17: £1.5m). The Group's amortisation and depreciation expense is expected to increase in 2018/19 and step up again in 2019/20 as charges associated with the implementation of the next phase of ERP modules and the completion of the new Group headquarters come into effect. The depreciation charge will also be impacted in 2019/20 by the introduction of the new accounting standard on leases (as described in note 2 to the financial statements).

Research & development expenditure (R&D)

R&D expenditure relates to the development of new products, as well as costs incurred in identifying and implementing production process improvements. We continue to focus on developing new products as well as improving the quality of our existing catalogue. These costs do not meet the requirements to be capitalised as an intangible asset and are therefore expensed through the income statement.

Reported R&D expenses decreased by £2.6m or 14.0%, to £16.0m (2017: £18.6m). Whilst total reported R&D expenditure decreased, this included an increase of £2.4m on UK R&D tax credits, to £3.1m (2016/17: £0.7m), an year-on-year benefit relating to the change in amortisation period relating to capitalised product development, amounting to £0.7m, as well as the effect of exchange rate movements that contributed £0.7m of the decrease. Following these adjustments, the increase in R&D costs was £1.2m or 6.5%, to £19.8m.

R&D-related depreciation and amortisation charges were £0.5m lower in the year, at £6.6m, including £4.1m related to the amortisation of acquisition intangibles (2017: £4.4m) which are excluded from adjusted costs.

Investment in systems, processes and infrastructure

We continue to invest to maintain our double-digit growth trajectory and provide the operating capabilities required to scale the business. This was underpinned by investment in our people, IT systems, infrastructure, capabilities and business processes during the year to provide us with operational scalability.

Enterprise Resource Planning (ERP) programme

We had targeted a full implementation of the ERP system in 2017/18. We are now planning a phased approach to the remaining modules, which are expected to be implemented over the medium-term as part of a broader investment in our IT infrastructure.

We incurred capital expenditure of £17.5m (2016/17: £10.6m) and operating costs of £6.1m during the year (2016/17: £4.4m), as well as depreciation of £0.8m on the modules already deployed. Total capitalised expenditure relating to the Oracle Cloud ERP programme to date amounts to £33.6m.

In 2018/19 we plan to implement the finance and certain other modules at an estimated cost of approximately £16m (including capital expenditure of approximately £12m). Beyond 2018/19 we anticipate that we will continue to invest in our IT systems and broader business processes through implementing further new Oracle modules as well as investing further in those we have already implemented.

New global headquarters, Cambridge, UK

We will relocate from our three existing sites in Cambridge to a single, purpose-built headquarters on the Cambridge Biomedical Campus in early 2019. We anticipate Abcam's total expenditure on the building to be approximately £16m. In addition, we expect to spend approximately £9m on laboratory and office design and office fit-out costs. In 2017/18 we incurred capitalised costs of £13.5m in respect of this project, bringing the total cost to date to £15.2m.

Earnings and tax

The increase in gross profit delivered in the year, together with a net reduction in operating costs, due primarily to foreign exchange related impacts discussed previously, resulted in an £11.2m increase in reported earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) to £81.7m (2016/17: £70.5m), an increase of 15.9%. Adjusted EBITDA rose 20.5% to £88.3m (2016/17: £73.3m), giving an adjusted EBITDA margin of 37.9% (2016/17: 33.8%).

After depreciation and amortisation charges of £12.9m (2016/17: £15.4m), reported operating profit rose 24.9% to £68.8m. Adjusted operating profit rose 26.2% to £81.3m, representing an adjusted operating margin of 34.9% (2016/17: 29.7%).

Profit Before Tax (PBT) on a reported basis was £69.1m (2016/17: £51.9m). This was after net finance income of £0.3m (2016/17: net finance expense of £3.2m). Adjusted PBT rose 26.3% to £81.6m (2016/17: £64.6m).

Due to the impacts relating to the introduction of the US Tax Cuts and Jobs Act, the Group's reported effective tax rate was 10.0% (2016/17: 18.3%). The effective rate on adjusted profits was 18.3% and excludes the impact of the above (2016/17: 19.5%). Further details are provided in note 7 to the financial statements. Notwithstanding further tax changes in the jurisdictions in which we operate, the effective rate is expected to be broadly maintained at around 19% to 20% in the medium-term.

Basic earnings per share (EPS) was 30.5p (2016/17: 20.9p), with adjusted basic EPS of 32.7p (2016/17: 25.7p). Diluted Earnings Per Share (EPS) was 30.2p (2016/17: 20.7p). Adjusted diluted EPS increased by 27.1% to 32.4p (2016/17: 25.5p).

Adjusting items

	2018 £m	2017 £m
System and process improvement costs	**(6.1)**	(3.8)
Costs associated with the new Group headquarters	**(0.3)**	—
Acquisition-related costs	**(0.2)**	—
Amortisation of acquisition-related intangible assets	**(5.9)**	(5.9)
Contingent consideration fair value adjustment	**—**	1.0
Impairment related to system and process improvements	**—**	(0.6)
Total adjusting items affecting operating profit	**(12.5)**	(9.3)
Finance costs: Unwinding of discount factor on contingent consideration and fees	**—**	(3.4)
Total adjusting items before tax	**(12.5)**	(12.7)

System and process improvement costs related to our Oracle Cloud ERP project increased by £1.7m in the year to £6.1m. The Group also incurred £0.3m in costs relating to the move to the new headquarters in Cambridge, UK and acquisition-related costs of £0.2m relating to the exclusive license agreement with Roche relating to the Spring portfolio.

Foreign exchange

The results of the Group are impacted by movements in foreign exchange rates, particularly movements in Sterling against the US Dollar, Euro and Chinese Renminbi. In 2018, the impact of foreign exchange movements in the year was £7.1m unfavourable in revenue and £1.1m in adjusted EBITDA, after the impact of hedging.

Cash flow and net cash

	2018 £m	2017 £m
Operating cash flows before working capital	**81.0**	71.7
Change in working capital	**(8.1)**	4.8
Cash generated from operations	**72.9**	76.5
Income taxes paid	**(9.6)**	(10.1)
Net cash inflow from operating activities	**63.3**	66.4
Cash outflow of investing activities	**(37.7)**	(32.9)
Cash outflow from financing activities	**(20.6)**	(17.8)
Increase in cash and cash equivalents	**5.0**	15.7
Cash and cash equivalents at beginning of year	**84.8**	68.9
Effect of foreign exchange rates	**0.4**	0.2
Cash and cash equivalents at end of the year	**90.2**	84.8
Free Cash Flow*	**26.8**	41.3

* Free Cash Flow comprises net cash generated from operating activities less net capital expenditure and committed funding for future capital expenditure.

The Group continues to be strongly cash generative, with cash inflow from operations of £63.3m (2016/17: £66.4m) and free cash flow of £26.8m (2016/17: £41.3m), including a year-on-year increase in working capital of £12.9m. The change in working capital is explained by an increase in stock of top-selling products to improve availability, amounting to approximately £5m, as well as certain other one-off working capital inflows in the prior year.

Cash outflow on investing activities of £37.7m (2017: £32.9m) includes £1.5m in relation to the acquisition of the exclusive license agreement from Roche (with a further commitment of £11.8m payable in 2018/19) and capital expenditure of £36.5m. Major capital expenditure items included £18.3m and £11.6m on the Oracle Cloud ERP and new Group headquarters, respectively, as well as £4.3m on Internally developed technology.

After net cash outflows from financing activities of £20.6m, predominantly relating to dividend payments, together with a small foreign exchange impact, the Group ended the year with closing cash of £90.2m (2016/17: £84.8m), a net increase of £5.4m.

Balance sheet

Goodwill and Intangibles

Goodwill was £114.2m (2017: £115.5m) with the decrease relating mainly to exchange rate movements.

Intangible assets were £106.3m (2017: £73.6m). The increase primarily reflects additions arising from the Spring licence acquisition from Roche (£10.9m) together with £17.5m in respect of investments made in our new ERP system and £10.8m relating to the reclassification of 'Internally developed technology' from property, plant and equipment to intangible assets.

Property, plant and equipment

Property, plant and equipment additions of £18.3m (2016/17: £10.2m) have been made in the year, comprising £13.5m (2016/17: £1.1m) associated with the construction of our new Group headquarters and £4.8m of other investments (2016/17: £9.1m). These other investments include £2.4m spent on laboratory equipment across our sites in the UK, the US and China, as well as £2.0m on continued development of the Group's product range.

Trade and other payables

Trade and other payables were £45.8m (2016/17: £29.3m) with the increase being mainly due to £11.8m of outstanding consideration in respect of the Spring acquisition and increased capital accruals in respect of the new global headquarters.

Dividends

The Board declared an interim dividend of 3.42 pence per share which was paid to shareholders on 12 April 2018. The Board has proposed a final dividend of 8.58 pence per share, taking the total dividend for the year to 12.00 pence per share, a 17.9% increase on the previous year and equating to approximately £24.6m. The final dividend is subject to shareholder approval at the forthcoming AGM.

The ability of the Group to make dividend payments is determined by the availability of distributable retained earnings and liquid cash resources as well as the need for both of these to be held at the Company level. At 30 June 2018, the Company held retained earnings of £250.5m, the majority of which is distributable. The Group has cash resources of £90.2m at 30 June 2018, of which £67.2m was held by the Company.

Principal risks which may restrict profitability and cash generation, and therefore fund future dividend growth and payments, are described in 'Our risks' on pages 32 to 38. Notwithstanding these risks, the Group has an established track record of consistently generating cash which is expected to continue for the foreseeable future.

Outlook

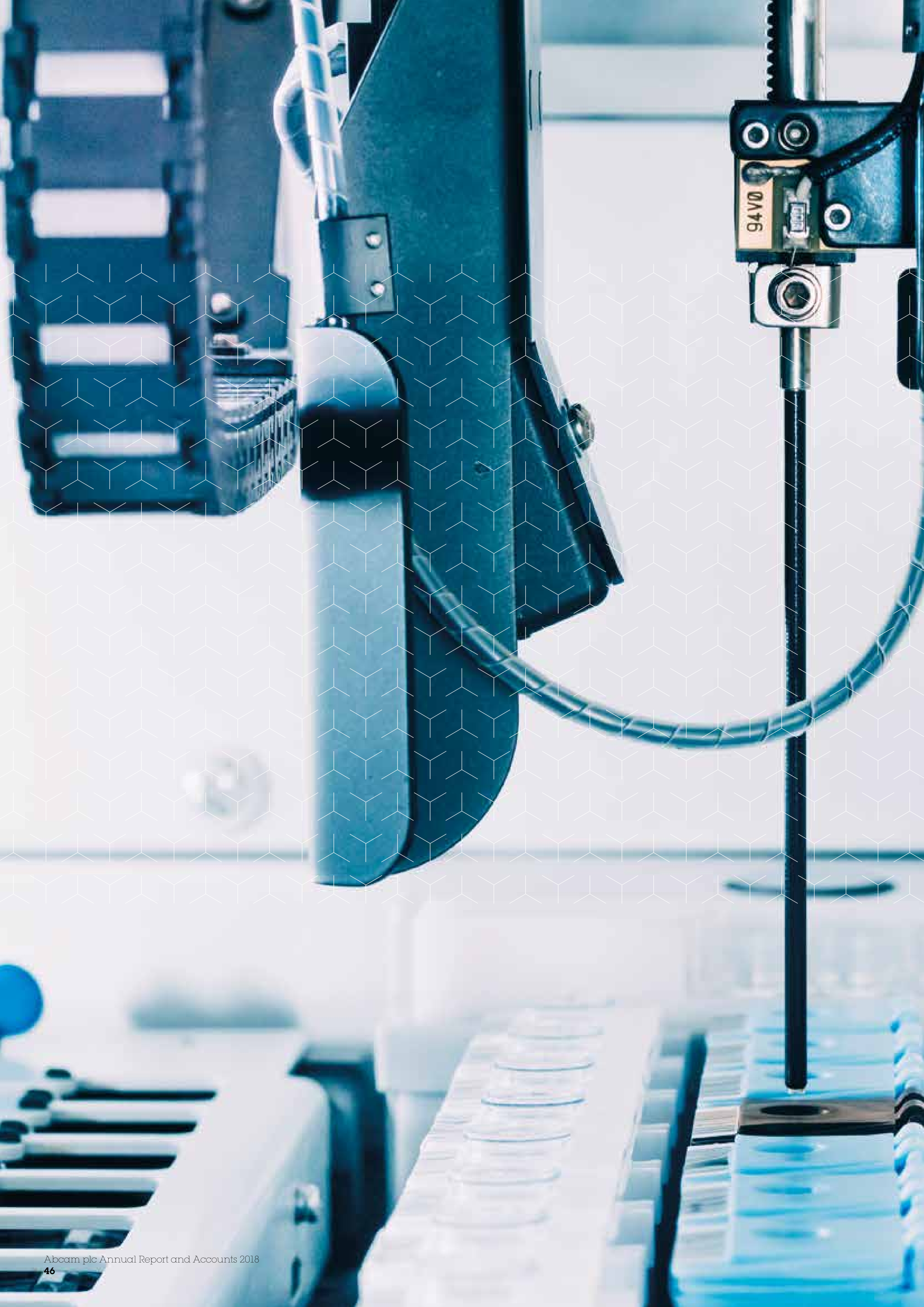
The fundamentals of our business remain strong. The revenue growth this year and in previous years remains a measure of the continued success of our strategy and provides a solid foundation from which to invest in the business.

Overall, the outlook for our markets remains positive and we expect our total constant currency revenue growth for 2018/19 to be approximately 11%. Beyond this, we anticipate that the investments we are making, together with our financial strength, will lay the foundation for growth in 2019/20 and beyond, supporting our ambition to maintain revenue growth at low double-digit rates over the medium-term.

In the coming year, alongside our ongoing investment in our capital projects and scalability, we plan to increase investment in a number of strategically important areas including R&D, China, Abcam Inside and data analytics. We are also launching a new share ownership scheme open to all employees globally, to recognise their invaluable contribution and to help maintain our entrepreneurial spirit as we continue to expand. Whilst we will look to partly fund these investments through the continued realisation of efficiencies and savings in our core business, we currently anticipate adjusted EBITDA margin in 2018/19 will be approximately 36%.

Over time, these investments will increase our capabilities, add new products and services for our customers and improve our operational efficiencies, helping us to achieve our ambition to double our 2016 scale by 2023 and fulfil our mission to help life science researchers discover more, faster.

Gavin Wood
Chief Financial Officer
7 September 2018



Corporate governance

We believe that robust corporate governance is fundamental to the long-term sustainable growth of our business.

Corporate governance

In this section
- Our Board and its composition
- The link between governance and performance
- Pay and performance
- Our ambition for governance in future years

Following my appointment as Chairman of Abcam on 18 June 2018, I am pleased to present the Corporate Governance Report for the year ended 30 June 2018.

Our approach to corporate governance is fundamental to the long-term sustainable success of our business, and the Board and its Committees play a vital role in maintaining a framework which ensures that a culture of good governance and integrity is promoted across the business. This includes providing independent support and challenge to the Executive Leadership Team (ELT), understanding the views of shareholders and stakeholders, and ensuring that these are considered in our decision-making process. Our aim has not changed; we want to promote and maintain an environment of openness, transparency, accountability and responsibility.

Related content
2018 financial performance – page 40

The UK Corporate Governance Code (Code)

The Code sets out the principles of good practice in relation to corporate governance to be followed by main market-listed companies. Although as an AIM-listed company we are not required to comply with the Code, the Board continues to believe that it is appropriate for Abcam to comply with the Code in so far as it relates to companies which are outside the FTSE 350. I am happy to report that we have complied with almost every principle and provision of the 2016 edition of the Code as applicable to companies outside the FTSE 350. More details can be found in our Statement on Corporate Governance in the Directors' report on page 95.

During 2018/19 we will be considering the impact of the new version of the Code published in July 2018 and whether we need to amend our governance approach to ensure compliance with applicable principles and provisions going forward.

Board effectiveness

My role is to ensure the Board of Abcam operates effectively in delivering the long-term sustainable success of the Company. In fulfilling this role, I seek to ensure that Board proceedings are conducted in such a way as to allow all Directors to have the opportunity to express their views openly and that, in particular, the Non-Executive Directors are able to provide constructive support and challenge to the ELT. Our Board meetings encourage rigorous debate and constructive challenge of management's performance in meeting agreed goals and objectives.

Shareholder engagement

The Board is committed to maintaining an open and constructive dialogue with shareholders to ensure there is a common understanding of the strategic objectives, governance and performance of the Company.

Following the announcement of the interim results the CEO and CFO undertook an extensive roadshow in the UK and USA to meet most of our major shareholders. Investor and analyst feedback is gathered by our corporate brokers and financial public relations advisors following meetings and roadshows. This is relayed to, and discussed by, the Board to help them understand the views of our major shareholders.

Where appropriate the Company consults with shareholders on significant issues and during this year major investors were offered the opportunity to meet the interim Chairman to discuss the Company's performance, the change of Chairman and Abcam's Remuneration Policy. Louise Patten, Chair of the Remuneration Committee, and myself had subsequent conversations with major shareholders in July and August 2018 regarding our Remuneration Policy which is due to be renewed this year and which will be put to an advisory shareholder vote at our AGM on 6 November 2018.

Additionally, the CEO and CFO spoke to shareholders following Abcam's announcement under Rule 2.4 of the Takeover Code on 2 May 2018 regarding the possible offer for Horizon Discovery plc.

Capital investment projects

The Board and the Audit & Risk Committee have continued to monitor progress of the implementation of our new enterprise resource planning (ERP) system during the year, providing input and challenge to both the internal team and the external providers involved with the project. This is a large and complex project which will deliver significant operational and strategic benefits once fully implemented. As such, the Board has received regular updates focusing on the risks relating to the quality, cost, phasing and timing of delivery of the project.

The Board has also received updates on the development of our new headquarters in Cambridge, again with particular focus on the identification and mitigation of risks associated with the investment.

The year ahead

Over the coming year, and in addition to our normal duties, our focus will remain on the implementation of the ERP system and on ensuring we review the impact of key strategic decisions made by the Board. As noted above, we will also consider any actions required to address such requirements of the new version of the UK Corporate Governance Code which we believe are appropriate for Abcam to adopt.

We continue to believe that our governance framework is robust, a point emphasised by the fact that the Board and Committees have continued to operate effectively during the year despite the search for a new Chairman.

Peter Allen
Chairman
7 September 2018

Board in action

Ensuring we have the right strategy

Each year the Board spends time reflecting on opportunities to continue to grow the business and where it could invest to drive sustainable long-term high performance. Throughout the year Board members spend time with the wider business team, staying abreast and close to it, allowing Directors to check on the delivery of the strategy first hand.

Building a strong team

Strong team relationships are at the heart of Abcam's success. This is true for the Board and the wider business. Through our robust recruitment process we ensure that all people who join the Board are strong team players and have a passion for the purpose. We reinforce this through regular feedback and Board evaluations.

Governance in numbers

Scheduled Board meetings
8

Site visit
1

New Board member
1

Linking it all together

Leadership
The Board is responsible for setting the tone to embed the Group's strategy into the business. The Board carefully monitors the progress of strategic initiatives and receives regular briefings from the relevant members of the Executive Leadership Team.

The right strategy – how this drives performance
A strategy which balances long-term investments with an ever changing business context is crucial. We review this on a regular basis to ensure it stays relevant.

Effectiveness
The Nomination Committee continues to ensure the Board has the necessary skills and experience to understand the market and provide challenge to the business to deliver the strategy.

Succession planning – how this drives performance
Ensuring we have a strong pipeline of talent is crucial to our growth. This happens through regular reviews,underpinned by targeted talent development activity.

Accountability
The work of the Audit and Risk Committee plays an important role to provide the necessary safeguards to manage risks and achieve high standards in transparency and accountability to shareholders.

Our Remuneration Policy

Pay and performance

The remuneration of our leaders is structured to promote the long-term success of the Company and reward performance and create value for our shareholders. To this end, the assessment of awards under our short- and long-term incentive plans is made against the Company's key financial and strategic priorities.

KPIs	Linked to remuneration	Variable components
Financial		
Adjusted profit before tax	✓	✓
Strategic		
Recombinant antibody revenue growth (CER)	✓	✓
Immunoassay revenue growth (CER)	✓	✓
Customer engagement: NPS	✓	✓
Market-leading positions	✓	✓
Personal		
Individual performance	✓	✓

Remuneration policy

This year, we have reviewed our Remuneration Policy and the changes made reflect our underlying philosophy of share ownership and performance-linked reward with the aim of further supporting Abcam's sustainable, long-term growth. For further details of the changes, refer to the full Remuneration report on page 69.

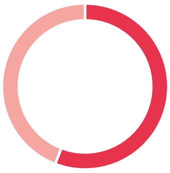
Board activity

Creating the environment for long-term growth

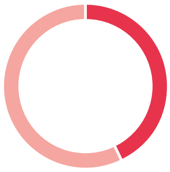
The Board agenda focuses on the themes of driving our strategy, monitoring risk, and execution against the strategy via regular business, financial and departmental updates, together with corporate governance and regulatory matters.

Gender diversity

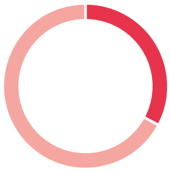
The percentage of women on the Board is currently 43%, putting us ahead of recommended targets for FTSE 350 companies. We also have a good representation of women in senior management, and continue to seek to increase the pipeline of women into both the Board and senior management.



56%
Women in our total business*



43%
Women on our Board*



33%
Women on our Executive Leadership Team*

* As at 30 June 2018 comprising Abcam plc only and excluding subsidiaries outside the UK.

The Board is focused on delivering against our five strategic goals

Peter Allen, BA ACA
Chairman

N A R

Appointed
June 2018

Background
Peter has over 20 years' experience as an executive director, non-executive director and chairman in a wide range of life science companies playing a significant role in their growth. He spent three years as Chairman of Proximagen Neurosciences plc (2009-2012), six years at ProStaken Group plc as Chairman (2007–2013) and interim CEO (2010–2011) and twelve years at Celltech Group plc (1992–2004) as CFO and Deputy CEO.

Current external appointments
Peter is currently Non-Executive Chairman of AIM listed Advanced Medical Solutions plc, Clinigen plc and Diurnal plc and privately-owned Oxford Nanopore Technologies Ltd. He is a Non-Executive Director of Istesso Ltd.

Skills and experience
A chartered accountant by background, Peter is an experienced chairman and board member and has substantial experience in M&A, international growth, fundraising and investor relations, as well as the commercialisation of intellectual property.

Jonathan Milner, PhD
Deputy Chairman

Appointed
April 1998

Background
Having worked in the life sciences industry for over ten years as an academic researcher, Jonathan identified the market opportunity for supplying high-quality antibodies to support protein interaction studies and in 1998 founded Abcam with Dr David Cleevely and Professor Tony Kouzarides.

Current external appointments
Jonathan is a Non-Executive Director of The Evolution Education Trust, HealX, Repositive Ltd, Syndicate Room Group Ltd and Elpis Biomedical Ltd. He is also Chairman of Axol Bioscience Ltd, PhoreMost Ltd and CamAllergy Ltd. Jonathan holds an Executive Director position at Meltwind Limited, being a designated member of Meltwind Advisory LLP, and is a member of the advisory panel of Cambridge Innovation Capital plc.

Skills and experience
Jonathan is an experienced entrepreneur and investor and is passionate about supporting UK life science and high-tech start-ups. He has provided considerable investment and support to over 40 companies and has assisted three AIM IPOs.

Louise Patten, MA
Non-Executive and Senior Independent Director

N A R

Appointed
March 2014

Background
Having started her career in corporate and investment banking, Louise moved into management consultancy and became a Board Director of the Hilton Group. Since then she has served on a succession of multi-national listed company boards for more than 20 years as a non-executive director, a senior independent director, a remuneration committee chairman and a company chairman at organisations including the retailers Marks & Spencer plc, GUS plc and Somerfield plc.

Current external appointments
Louise is currently a Non-Executive Director of Intu Properties plc, a Senior Advisor to Bain & Company and a Non-Executive Director of Arthur J. Gallagher Insurance Brokers Limited.

Skills and experience
Louise's highly recognised career in business, with her extensive board and corporate governance experience, brings Abcam the knowledge and proficiency required to support its strategic growth plans and, whilst doing this, ensures that the Abcam Board is led by a robust governance framework.

Mara Aspinall, MBA
Non-Executive Director

N R

Appointed
September 2015

Background
Mara is CEO of Heath Catalysts Group and Managing Director of BlueStone Venture Partners. Previously, Mara was President and CEO of Ventana Medical Systems/Roche Tissue Diagnostics, leading the company to increased market leadership worldwide and primacy in companion diagnostics. Mara spent twelve years at Genzyme Corporation (now part of Sanofi) as President of Genzyme Genetics and Genzyme Pharmaceuticals. She is co-founder of the International School of Biomedical Diagnostics at Arizona State University and Dublin City University, the only institution dedicated to the study of diagnostics as an independent discipline. She is a Fellow of the American Institute for Medical and Biological Engineering.

Current external appointments
Mara is a Director of Allscripts Healthcare Solutions Inc, Castle Biosciences, Blue Cross Blue Shield Arizona, OraSure Technologies and 3Scan Inc.

Skills and experience
Mara has considerable international experience in the biotechnology and diagnostics industries with public and private companies. Mara's specific focus areas are acquisition integration, global manufacturing, quality systems and strategic marketing.

Sue Harris, BSc ACMA
Non-Executive Director

N A R

Appointed
December 2014

Background
A chemist by training, Sue's career began at Ford, before moving to oil company Amerada Hess. She subsequently held senior roles at Marks & Spencer plc across finance, latterly as Head of Corporate Development and Group Treasurer. She was Managing Director Finance at Standard Life, where she led the process to float the Group. She was Finance Director of Cheltenham and Gloucester, Lloyds Banking Group's Retail Bank and Group Finance and Group Audit Director. Previously Sue was a Non-Executive Director of St. James's Place and Bank of Ireland UK, a member of the audit and remuneration committees of the British Bankers' Association, Chair of Trustees for KCP Youth and chaired the finance and audit committees of Mencap.

Current external appointments
Sue is Chair of the Audit and Assurance Council and a member of the Codes and Standards Committee of the Financial Reporting Council, a Non-Executive Director of Schroder & Co. Limited and of Barclays Pension Funds Trustees Limited.

Skills and experience
With over 30 years' of financial, commercial and corporate board experience as well as her scientific background, Sue brings a wealth of skills that strengthen the Abcam Board in its growth strategy.

Alan Hirzel, MS MBA
Chief Executive Officer

Appointed
January 2014

Background
Alan joined Abcam as Chief Marketing Officer in 2013 to implement the growth strategy he defined with the Board and CEO. In 2014 he became CEO and succeeded Abcam founder Jonathan Milner. Prior to joining Abcam, Alan spent 14 years with Bain & Company helping companies grow organically and through acquisition. Earlier in his career, he led product innovation efforts for several brands at Kraft Foods. He trained as a life science researcher with BS and MS degrees from Cornell University. He also has a passion for social enterprise and was involved in establishing two social venture philanthropy organisations in the UK and later acted as a Trustee for the National Citizen's Service Trust.

Current external appointments
Alan has no external appointments.

Skills and experience
Alan brings to the Abcam Board an impressive combination of a strong scientific background, global business and leadership experience as well as strong consumer knowledge. Alan has a keen focus on the consumer, helping Abcam's strategic vision to be a successful global business by placing the customer at the heart of it.

Gavin Wood, BA ACA
Chief Financial Officer

Appointed
September 2016

Background
Gavin is a chartered accountant who started his career in practice in London before moving to Grant Thornton's Thames Valley office. After five years in practice, Gavin moved to Unipart Group of Companies, where he had a number of roles of increasing responsibility before moving into the life sciences sector. He spent nearly a decade at Nasdaq-quoted Affymetrix, Inc. in a variety of roles, most recently as Executive Vice President and Chief Financial Officer leading the global finance and information technology functions.

Current external appointments
Gavin has no external appointments.

Skills and experience
Gavin has over 20 years' experience as an accounting professional with broad and international exposure in a number of sectors and roles including corporate, statutory and operational accounting, project management and investor relations.

Suzanne Smith, LLB MBA
Company Secretary and Chief Legal Officer

Appointed
July 2015

Background
Before joining Abcam, Suzanne was Executive Director, Legal, at Actavis plc where she was responsible for the leadership of the legal function internationally (excluding Americas). Previous positions include Legal Director at Genzyme Therapeutics Ltd, General Counsel and Company Secretary at Phoqus Pharmaceuticals plc and Group Legal Counsel and Company Secretary at LGC Ltd, together with positions at SmithKline Beecham and Aventis.

Current external appointments
Suzanne is a Governor of Maidstone Grammar School for Girls.

Skills and experience
Suzanne is a qualified solicitor with over 20 years' global legal, business and leadership experience within the life sciences industry. Her experience in legal and company secretarial roles brings Abcam additional knowledge and skills in corporate governance.

Key to Committees
N Nomination
A Audit and Risk
R Remuneration
Committee Chair

Leadership

Division of responsibilities

The Board has established a corporate governance structure with clearly defined responsibilities and accountabilities. The structure is designed to safeguard and enhance the long-term sustainable success of Abcam, creating value and benefit for our shareholders and stakeholders.

The Chairman ensures the Board operates effectively in delivering the long-term sustainable success of the Company. The Senior Independent Director acts as a sounding board for the Chairman and as a trusted intermediary for other Directors.

Matters reserved for the Board

To retain control of key decisions, the Board has identified certain reserved matters for its approval. Other matters, responsibilities and authorities are delegated to Board Committees. The schedule of matters reserved for the Board and the terms of reference for each of its Committees can be found on the Company's investor relations website at www.abcamplc.com. Any matters outside of these fall within the CEO's responsibility and authority. Accordingly the CEO reports on activities of the Executive Leadership Team via bi-monthly reports to the Board.

Board and Committee meetings/attendance during the year

	Scheduled Board meetings	Ad hoc Board meetings[1]	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Current Directors					
Peter Allen[2]	0/0	n/a	0/0	1/1	0/0
Jonathan Milner[3]	8/8	1/3	n/a	n/a	n/a
Louise Patten[4]	8/8	3/3	4/4	6/6	4/4
Mara Aspinall	8/8	1/3	n/a	6/6	4/4
Sue Harris	8/8	2/3	4/4	6/6	4/4
Alan Hirzel	8/8	3/3	n/a	n/a	n/a
Gavin Wood	8/8	3/3	n/a	n/a	n/a
Past Directors					
Murray Hennessy (left the Board on 14 November 2017)	4/4	n/a	n/a	3/3	2/2

1 Two ad hoc Board meetings regarding Horizon Discovery plc. One ad hoc Board meeting to appoint Peter Allen as Chairman.
2 With effect from 18 June 2018, appointed Chairman of the Board, Chairman of the Nomination Committee and a member of the Audit and Risk and Remuneration Committees.
3 Jonathan Milner was recused from both ad hoc Board meetings regarding Horizon Discovery plc.
4 Acted as Interim Chairman of the Board and Interim Chairman of the Nomination Committee from 14 November 2017 until 18 June 2018.

Leadership structure

To assist in decision making the Board draws on experience and insight from the business and externally.

Board
Responsible for the long-term success of the Group. It sets strategy and oversees implementation, ensuring only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.

Meet our Board of Directors on pages 52 and 53.

Nomination Committee
Reviews and recommends to the Board the structure, size and composition of the Board and its Committees. It also has oversight responsibility for succession planning of the Board and senior management.

More details on pages 62 to 63

Audit and Risk Committee
Reviews and is responsible for the oversight of the Group's financial and reporting processes, the integrity of the financial statements, the external and internal audit processes, and the systems of internal control and risk management.

More details on pages 64 to 68

Remuneration Committee
Reviews and recommends to the Board the executive Remuneration Policy and determines the remuneration packages of the Executive Directors and the Company Chairman. Has oversight of the remuneration packages of the Executive Leadership Team.

More details on pages 69 to 94

Disclosure Committee
Oversees the identification and control of inside information by the Company to meet its disclosure obligations under the Market Abuse Regulation, the AIM Rules and the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules (DTR).

Executive Directors
Responsible for the implementation of the Board's strategy, day-to-day management of the business and all matters which have not been reserved for the Board.

Executive Leadership Team (ELT)
A team that operates under the direction and authority of the CEO and CFO and comprises the direct reports of the CEO. It assists the Executive Directors in implementing strategy and policies and managing the operational and financial performance of the Group.

Global Leadership Team (GLT)
The GLT comprises the ELT and other senior global leaders who meet as required in person and by telephone conference to support the delivery of Abcam's strategic activities and the annual planning process. This enables the CEO and the ELT to hear from different areas of the business whilst providing the opportunity to communicate with and engage the GLT members on global initiatives.

Board in action

How our expertise leads to better product development

With a high-quality team of experts across our business we can deliver for our customers, listening to their changing needs and for ways to innovate our business for today and the future.

Why this matters for the future of the business

Having an agile business that can evolve to meet our customers' needs will help deliver long-term and sustainable success.

> **The team at Abcam is obsessive about how to meet customers' needs, not only for today but for the future too. This obsession is global and sustains our continued outstanding performance.**
>
> **Louise Patten**
> Senior Independent Director

Board composition and roles

As shareholders will be aware, Murray Hennessy stepped down from the Board and as Chairman of the Company following our AGM in November 2017. While the search for Murray's successor took place, Louise Patten, Abcam's Senior Independent Director (SID), assumed the role of interim Chairman until Peter Allen's appointment on 18 June 2018. The process followed to search for a new Chairman is described in the Nomination Committee report on page 62.

As interim Chairman it was inappropriate for Louise Patten to continue to act as SID given the distinction between the roles in the UK Corporate Governance Code and Mara Aspinall agreed to act as SID until Peter Allen's appointment. Following Peter's appointment, Louise has resumed her role as SID and the Board is very grateful for the support Mara provided in that role.

The Directors are satisfied that the current composition of the Board reflects an appropriate balance of skills, knowledge, experience and diversity, but we nevertheless intend to appoint an additional Non-Executive Director over the course of the next year. It is the Chairman's view, and that of the Board as a whole, that the Board and its Committees continued to operate effectively during the year.

The key responsibilities of the members of the Board are:

Chairman	Peter Allen	Responsible for leading and managing the Board as well as for its effectiveness and governance. Ensures Board members are aware of and understand the views of major shareholders and other key stakeholders. Helps the CEO and Executive Leadership Team set the 'tone from the top' regarding purpose, goals, vision and values for the whole organisation.
CEO	Alan Hirzel	Responsible for the day-to-day management of the business, developing Abcam's strategic direction for consideration and approval by the Board, and implementing the agreed strategy.
CFO	Gavin Wood	Supports the CEO in developing and implementing strategy. Responsible for the financial and operational performance of the Group.
Deputy Chairman	Jonathan Milner	Responsible for bringing expert knowledge in the ever evolving field of protein research and its related science and technology. Provides entrepreneurial support to the Board to develop strategy to further exploit opportunities to enable Abcam to support scientists worldwide to discover more, faster. Provides a technical sounding board for the Chairman and CEO. Represents Abcam at external events and forums worldwide and is an ambassador for Abcam in the scientific community.
Senior Independent Director (SID)	Louise Patten	Acts as a sounding board for the Chairman and as a trusted intermediary for other Directors. Available to discuss any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chairman or Executive Directors.
Independent Directors	Mara Aspinall Sue Harris	Assist in the development of strategy and monitor its delivery within the Company's established risk appetite. Responsible for bringing sound judgement and objectivity to the Board's deliberations and decision-making process. Constructively challenge, support and review the performance of Executive Directors.

Board in action

How our expertise leads to better product development

Having a Board team without silos means great ideas come forward fast and decisions to invest in new growth opportunities can be made quickly. We can take a new product from idea to customer in increasingly faster timescales.

Why this matters for the future of the business

Innovating quickly means we embrace opportunities to develop products when our customers need them to support their research ambitions.

> **"The pace at which Abcam moves is impressive. The Board stays close to the business to support it in achieving its ambitions, faster.**

Peter Allen
Chairman

Board meetings

The Board meets in person six times during the year with two further scheduled telephone conferences to approve the annual and interim accounts and dividends. In addition ad hoc meetings may be called to discuss urgent matters arising during the course of the year, An additional meeting took place this year to approve the recommendation by the Nomination Committee to appoint Peter Allen as Chairman, taking the number of meetings to seven. A separate strategy day is held once a year with the Executive Leadership Team to discuss the longer-term aspirations and objectives of the Company.

The Chairman holds meetings without the Executive Directors present, and the Non-Executive Directors, led by the Senior Independent Director, meet without the Chairman present at least annually to appraise the Chairman's performance.

The Directors have access to advice from the Company Secretary who is a qualified solicitor and acts as secretary to the Board and its Committees.

Board activity

Over the last year a significant amount of the Board's focus has been on considering strategic opportunities. In addition to the annual recurring governance activity, including reviewing the schedule of Matters Reserved for the Board, periodic reviews of policies and procedures, and financial reporting obligations, we have also considered and approved a new structure for rewarding our wider workforce. This includes a new global grading structure and performance management process which aligns with our commitment to attract and retain the best talent.

What we did this year

Strategy

- Considered and approved strategic transactions and opportunities including exclusive licence agreement with Roche and the approach to Horizon Discovery plc.
- Reviewed progress of the development of the new Abcam headquarters at the Cambridge Biomedical Campus.
- Reviewed presentations from members of the Executive Leadership Team to monitor progress against strategic goals.
- Continued development of strategy including a joint strategy day with the Executive Leadership Team.

Financial performance

- Considered the financial performance of the business and key performance targets.
- Approved the budget and five-year plan.
- Monitored performance against budget through regular presentations from the CFO.
- Reviewed the half-year and annual results and presentations to analysts, and approved the Annual Report.
- Approved the interim and final dividend recommendations.

Leadership and people

- Discussed the composition of the Board and its Committees.
- Discussed proposals for a new global grading structure and performance management process.
- Discussed and approved the reward structure for the wider workforce.
- Approved the appointment of our new Chairman, Peter Allen.

Internal control and risk management

- Reviewed the approach to risk management and carried out a robust assessment of the Company's principal risks.
- Approved the Company's risk appetite, this being the level of risk that the Company is willing to take in pursuit of its objectives.
- Monitored the progress towards implementation of the Oracle Cloud ERP system.

Governance, stakeholders and shareholders

- Received key legal and regulatory updates on topics such as the General Data Protection Regulation (GDPR) and the Takeover Code.
- Reviewed feedback from institutional shareholders and analysts following the annual and interim results.
- Approved the Company's second Modern Slavery Act statement.
- Reviewed the schedule of matters reserved for the Board.

Board in action

How our expertise leads to better product development

The Board's blend of skills and experience supports the business in reviewing opportunities to grow faster and in a way that drives sustainable performance.

Why this matters for the future of the business

The Board is passionate that Abcam should continue to outperform the market and 'seizes' opportunities for additional growth.

> **"The Board's diverse experience ensures we are able to effectively challenge and support management in key strategic decisions aligned to the Group's sustainable growth ambitions.**
>
> **Mara Aspinall**
> Independent Non-Executive Director

Effectiveness

Information and support

The Chairman, Executive Directors and Company Secretary are responsible for ensuring Board members are provided with information concerning the state of the business and its performance, and with information necessary for them to effectively discharge their duties and responsibilities in a timely manner. The agenda for the following meeting is discussed at the end of each Board meeting so Non-Executive Directors have the opportunity to influence the content, ensuring time spent is appropriately balanced between reviewing strategic, operational and financial matters, together with governance.

Board development

Regular training is provided to the Board with particular focus on explaining the complex and evolving science relating to Abcam's business, together with updates on corporate governance including training on the AIM Rules, the General Data Protection Regulation and the City Code on Takeovers and Mergers (Takeover Code).

On their appointment to the Board, new Directors receive a comprehensive and tailored induction programme to enhance their knowledge and understanding of the Company's business, strategy and governance structure, as well as their own duties and responsibilities. They will spend time with the Executive Directors, Non-Executive Directors, Executive Leadership Team and Company Secretary, and other key personnel across the business.

Director independence

The Board considers all Non-Executive Directors to be independent within the meaning of The UK Corporate Governance Code Provision B.1.1, with the exception of Jonathan Milner who was a founder of Abcam and an Executive Director of the Company until September 2014 and remains a substantial shareholder. The Board considers that the Non-Executive Directors each demonstrate an appropriate degree of independence in character and judgement and are free from any business or other relationship which could materially interfere with the exercise of their judgement. In determining the independence of the Non-Executive Directors, the Board specifically considers the beneficial interests of such Directors in share capital of the Company. Those interests are set out on page 89 and do not in the opinion of the Board detract from their independent status.

In accordance with its procedures, all Directors are required to notify the Board of any conflicts of interest and a register of such interests is maintained by the Company Secretary and formally reviewed at Board meetings. Any planned changes to their interests, including directorships outside the Group, are notified to the Board.

The independent Non-Executive Directors declared no relationships in the year which were considered a conflict with Abcam's business and therefore nothing was deemed to impact their independence.

Jonathan Milner was a Non-Executive Director of Horizon Discover plc until 4 June 2018, and remains a significant shareholder. In accordance with Abcam's conflicts of interest procedure and the principles of good corporate governance, he was not involved in any of the Board's discussions relating to the Company's potential offer for Horizon Discovery plc, and was recused from the relevant Board meetings.

Board evaluation

Board and Committee evaluation is a valuable tool in maintaining and improving Board effectiveness. We have made good progress against the recommendations arising from the evaluation process last year, with an enhancement in the reporting of non-financial information to the Board and developments in the assessment of the impact of key decisions. 2017/18 was a period of transition for the Board with the departure of Murray Hennessy in November 2017 and Peter Allen's appointment in June 2018. Although it is a requirement of the Code to undertake an annual evaluation of the Board and its Committees, the Board decided it would be premature to do so during the first two months of the new Chairman's appointment and consequently to postpone the annual evaluation to 2018/19, by which time our new Chairman will have had an opportunity to see for himself how the Board and Committees perform in practice.

Nomination Committee

This year the Committee focused on succession planning for Executive Leadership Team positions particularly, and on the search for a new Chairman. We also monitored the success of the mentoring and coaching schemes. The Committee continued to develop its plans for the orderly and progressive refresh of the Board over time.

Peter Allen
Nomination Committee Chairman

Committee meetings

4

Committee members and attendance

	Meetings
Murray Hennessy (Chairman until 14 November 2017)	2/2
Louise Patten (Interim Chairman from 14 November 2017)	4/4
Peter Allen (Chairman from 18 June 2018)	0/0
Mara Aspinall	4/4
Sue Harris	4/4

Key responsibilities of the Committee

I am delighted to have been appointed as both Chairman of the Board and Chairman of the Nomination Committee. I have seen at first hand the key role this Committee plays and the transparent, thorough and professional process used by the Board in making appointments. The Committee is responsible for reviewing Board composition and balance, considering the skills and capabilities required for each new Board appointment, leading the process for the Board in relation to new appointments and reviewing succession planning for the Board and senior leadership.

Board changes in the year

During this year my predecessor, Murray Hennessy, resigned from the Board, and Abcam's Senior Independent Director (SID), Louise Patten, was appointed interim Chairman and interim Chairman of the Nomination Committee. Mara Aspinall was appointed interim SID. The Nomination Committee oversaw a rigorous recruitment process: a job specification for the Chairman was developed and the leading executive search and board advisory consultancy, Lygon Group, was appointed to conduct the search. This was an extensive process and a shortlist of candidates was agreed before interviews were conducted with all members of the Board, together with meetings with some members of the Executive Leadership Team.

Board members were unanimous in appointing me as Chairman on 18 June 2018.

Before Murray Hennessy's resignation the Nomination Committee had started the search process for an additional Non-Executive Director and with the change of Chairman, the Committee took the decision to pause this recruitment. The process to appoint an additional Non-Executive Director has now recommenced.

Board diversity and appointments procedure

Abcam recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage and the Company's long-term sustainable success.

Board composition is central to the effective leadership of the Group and therefore prior to commencing any search for prospective Board members, the Committee draws up a specification, reflecting on the Board's current balance of skills and experience and those that would be conducive to the delivery of the Company's strategy. Selection for Board appointments is made on merit against this specification.

Gender diversity

Following the Board changes in the year, female representation on the Board still stands at 43%. This puts Abcam ahead of the recommended targets for FTSE 350 companies in terms of female board representation. Abcam continues to see the development of female executive talent as an important area and work is underway to improve the representation of women in leadership positions in the Group. More details on gender diversity in the Company are set out on page 51.

Activity in the year

A number of key priority areas were identified and of particular importance, succession planning for the Executive Leadership Team (ELT) to ensure a robust pipeline of potential ELT successors. We also ensured this team continued to benefit from development and mentoring from the Non-Executive Directors.

The Committee also reviewed succession planning across the business.

Priorities for 2018/19

The Committee has been supporting me with my transition and onboarding as a new Chairman with a thorough, structured induction to the Board and the wider business.

It will continue to focus on succession planning, particularly for ELT positions, as well as supporting the mentoring of the senior team. During the course of 2018/19 we will undertake a Board evaluation to ensure we continue as a high-performing Board. This will also support me in identifying any gaps in future capability to support the growth of the business, as well as developing its plans for the orderly and progressive refresh of the Board over time.

Peter Allen
Nomination Committee Chairman
7 September 2018

Chairman appointment process

1.
Selection criteria
Full specification developed by the Nomination Committee

2.
Market search
Leading executive search partner appointed to undertake wide search of talent

3.
Candidates shortlisted
Leading candidates interviewed by Interim Chairman of the Nomination Committee

4.
Appointment
Full Board involved in interviewing candidates for best fit

5.
Induction and site visits
Formal and structured induction to the business including site visits

Audit and Risk Committee

This year the Committee has focused on further development of risk management and financial reporting, together with our tax strategy which we will be publishing in the Autumn.

Sue Harris
Audit and Risk Committee Chairman

Committee meetings

4

Committee members and attendance

	Meetings
Sue Harris (Chairman)	4/4
Peter Allen	0/0
Louise Patten	4/4

Chairman's statement

I am pleased to present the report of the Audit and Risk Committee for the year ended 30 June 2018. This report details the work of the Committee over the past year in fulfilling our responsibilities to provide effective governance over the Group's financial and risk affairs, to ensure that shareholders' interests are properly protected in relation to internal controls, financial reporting and risk management.

In meeting these responsibilities, the Committee continues to consider the provisions of the UK Corporate Governance Code and the FRC Guidance on Audit Committees.

Effective Committee governance

In compliance with the Code, the Committee continues to be comprised exclusively of independent Non-Executive Directors who provide a combination of accounting, financial, risk, commercial and strategic experience in complex listed companies. The Board has determined that I meet the Code requirements for the Committee to include at least one member with recent and relevant financial experience as I am a qualified accountant with over 30 years' financial, risk and commercial experience in listed companies.

The Committee acts independently of management to ensure that the interests of shareholders are appropriately protected in respect of financial reporting, internal control and risk management.

Committee meetings are attended, by invitation, by the Chief Financial Officer, the Chief Legal Officer and Company Secretary (acting as secretary to the Committee), representatives of the Company's external auditor (PricewaterhouseCoopers LLP (PwC)) and, where relevant, the director of Internal audit (function outsourced to KPMG LLP (KPMG)) and, where appropriate, other members of senior management. Representatives of the Group's external auditor meet with the Committee at least twice a year without Executive Directors or management being present.

Key responsibilities of the Committee

The Committee assists the Board in fulfilling its oversight responsibilities by acting independently of the Executive Directors. There is an annual schedule of topics which are reviewed to ensure that the Committee covers fully those items within its Terms of Reference. These items are supplemented throughout the year as key matters arise.

The Committee's principal duties are as follows:

Accounting and Financial Reporting matters

- Monitor the integrity of the Group's Interim Statement and Annual Report and Accounts and any formal announcements relating to the Group's financial performance;
- Decide if the accounting policies are appropriate and review significant financial reporting judgements and estimates;
- Advise the Board on whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable;
- Consider the Group's statement on going concern and recommend to the Board that the Company is a going concern; and
- Consider and review the statement of the Company's viability over a specified period in light of its principal risks and long-term financial plans, and recommend the longer-term viability statement (LTVS) to the Board.

Tax matters

- Oversee the Group's tax affairs; and
- Review the Group's tax strategy for recommendation to the Board.

Risk management, internal control and internal audit

- Review the Group's risk management processes and risk appetite;
- Monitor the principal risks and their mitigation, review the robustness of the risk management system and internal controls and advise the Board accordingly;
- Oversee assurance work including the work of the Group's internal auditor; and
- Review and monitor the whistleblowing policy and activity.

External audit

- Oversee the Group's external audit process; and
- Monitor the auditor's independence, objectivity, effectiveness and performance, and approve any engagement of the external auditor outside of the Group's audit.

The Terms of Reference of the Committee are reviewed and adopted by the Board annually and are available on the Group's corporate website www.abcamplc.com

External advice

The Board makes funds available to the Committee to enable it to take independent legal, accounting or other advice when the Committee believes it necessary to do so.

Key Committee activities

The key areas of work carried out by the Committee during the year were:

Financial reporting

- Considering significant accounting and reporting judgements and concluding if accounting policies and any amendments thereto were appropriate
- Reviewing the accounting judgements and estimates which underpin the financial statements as set out in note 4 to the financial statements
- Reviewing the Group's accounting for the acquisition of licenses and assets in respect of Spring
- Monitoring the integrity of the Annual Report and Accounts, the Interim Statement and any formal announcements relating to financial performance, to ensure clarity and completeness of disclosures, including those relating to alternative (adjusted) performance measures
- Receiving presentations and subsequent updates from management on all financial reporting matters
- Reviewing the results and conclusions of work performed by the external auditor
- Reviewing the basis for the going concern statement in light of financial plans and reasonably likely scenarios and recommending to the Board that the Company and the Group are a going concern
- Reviewing the longer-term viability statement (LTVS), considering the appropriateness of the five-year time period on which the LTVS is based, linkage to strategy, principal risks and the assumptions underlying stress-testing, together with related scenario analysis
- Considering if the Annual Report and Accounts 2018, when taken as a whole, is fair, balanced and understandable
- Reviewing the preparation for compliance with Senior Accounting Officer (SAO) legislation which is expected to apply to the Company in the near future

Risk management and internal control

- Reviewing principal risks and risk appetite (set out on pages 32 to 38) to ensure effective and continual improvement in risk management including reviewing and challenging the assessment of business-wide risks and actions to mitigate
- Reviewing the effectiveness and integrity of the internal financial controls framework which underpins financial reporting by considering reports on internal control. No failures were identified, however existing controls continue to be strengthened
- Monitoring progress on the implementation and project governance of the ERP implementation
- Reviewing the Group's treasury policies and hedging strategy
- Monitoring and reviewing the outsourced internal audit function provided by KPMG, ensuring alignment with key risks, and challenging key audit outcomes and recommendations

External audit

The external auditor is appointed by shareholders to provide an opinion on the Annual Report and Accounts and certain disclosures provided by management. PwC acted as external auditor to the Group throughout the year and the Committee is responsible for oversight. Activities in fulfilling this responsibility included:

- Approving the annual audit plan and risk identification;
- Approving the level of fees paid to the external auditor for audit services;
- Reviewing the findings of the external auditor and management's response ensuring robust challenge;
- Reviewing the policy on the use of the auditor for non-audit work and approving any such work undertaken; and
- Reviewing the independence, objectivity, performance and effectiveness of the auditor.

Effectiveness of the external auditor

The Committee undertakes an annual assessment of the effectiveness of the external auditor. The reviews incorporate the views of both financial and commercial management in addition to the Non-Executive Directors to facilitate continued improvement in the external audit process.

The assessment considered:

- Delivery of a thorough, robust and efficient global audit, complying with plan and timescales
- Provision of accurate, robust and perceptive advice on key accounting and audit judgements, technical issues and best practice
- The level of professionalism and technical expertise consistently demonstrated and maintenance of continuity within the core audit team
- Strict adherence to independence policies and other regulatory requirements

The Committee concluded that the above factors had been met, and that it continued to be satisfied with PwC's performance and effectiveness.

Compliance

The Committee reviews and considers the operation of the Group's compliance initiatives, including the employee Code of Conduct 'How we do things at Abcam', a global whistleblowing hotline and portal, and compulsory on-line training for anti-bribery and corruption and GDPR.

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Review of accounting and financial reporting matters and matters of significance and judgement

The Committee received reports from management and the external auditor setting out the significant accounting and financial reporting matters and judgements applicable to the following key areas. Following discussion and challenge, the Committee concluded as set out below.

Accounting and financial reporting matters	Committee's review and conclusions
Going concern and longer-term viability statement	The Committee reviewed the assumptions underlying both the going concern and longer-term viability statements made on pages 96 and 39 respectively. The assessment was based upon the Group's budget and five-year financial and operating plans and risk assessment, and included appropriate scenario analysis. The Committee continued to be satisfied that in respect of the longer-term viability statement, a period of five years was suitable and concurred with management's conclusions that the viability statement is appropriate.
Fair, balanced and understandable	In ensuring that the Group's reporting is fair, balanced and understandable, the Committee reviewed the classification of items between adjusted and reported performance measures and the clarity and comprehensiveness of disclosures around adjusting items. In addition, the Committee gave due consideration to the integrity and sufficiency of information disclosed in the Annual Report and Accounts to ensure that they clearly explain the Group's financial position, performance, business model and strategy. An assessment of the narrative reporting was also undertaken to ensure consistency with the financial reporting section, including appropriate disclosure of material one-off items and appropriate balance of reported and adjusted performance measures.
Matters of significance and judgement	
Inventory provisioning	The calculation of the inventory provision includes a degree of estimation and judgement of the likelihood that individual products will be sold at some point in the future, at a value equivalent to or greater than cost. The Committee's review included an assessment of the reasonableness of future sales forecasts (which are based on actual sales patterns in previous years) and the shelf life of products.
Costing of inventory manufactured in-house and internally developed technology capitalised	Internal costs are included within internally manufactured inventory and are also capitalised as internally developed technology (formerly described as hybridomas and assays) within intangible assets which is used to generate antibodies and kits. The point at which such internal costs are included in inventory or capitalised as well as their magnitude (whereby the amount capitalised comprises an element of overhead allocation) is a key area of judgement. During the year, management undertook review of the balance sheet classification of internally developed technology as well as its useful economic life. The conclusions of the review were to change classification of these assets from property, plant and equipment to intangible assets and to extend their useful economic life. Further details are set out in notes 4 and 14 to the financial statements. The Committee discussed and challenged management's review and also considered the report from the auditor on the results of its testing.
Classification of costs associated with system process improvements	The strategic ERP project is a complex, global implementation with multiple phases which extends across multiple Group functions. It has been necessary for additional time and effort, over and above that originally planned, to be allocated to the project to ensure a robust platform to secure the Group's longer-term growth ambitions. This has meant that implementation has been extended beyond the original 2017/18 timeframe and the Committee has maintained its review of programme progress with particular consideration of financial accounting and controls processes. In line with last year, the Committee has provided oversight of the accounting for both capital and revenue expenditure. Primary oversight of this important programme at Board level has been maintained.
Valuation of assets acquired as part of the Spring acquisition	The Committee discussed the accounting treatment of the acquisition and also assessed the assumptions made in the valuation of the assets acquired of £12.9m which are set out in note 26 to the financial statements. This valuation included external as well as internal valuations which incorporated management judgement. The Committee reviewed and, where appropriate, challenged these judgements.

Internal audit

KPMG was appointed to provide internal audit services to the Group in 2016/17. Internal audit activity during 2017/18 has focused on:

- Antibribery and corruption review in China;
- Cyber security reviews in China and the US; and
- Reviews of the Group's risk and controls framework.

KPMG has provided updates on progress against the internal audit plan at each Committee meeting, including progress against actions arising from audits competed in 2016/17 in respect of:

- UK and US payroll;
- UK cyber security; and
- Contract management.

The Committee monitors the effectiveness of the internal audit function, including management's response to internal audit findings. The Committee is satisfied that the internal audit programme remains risk focused, is functioning satisfactorily across the Group and that management are open to reviews and take action on recommendations on a timely basis.

Independence and objectivity of external auditor

Both the Board and the external auditor (PwC) have safeguards in place to protect the independence and objectivity of the external auditor. These were reviewed by the Committee during the year and remain satisfactory. In accordance with International Standards on Auditing (UK), PwC formally confirmed to the Board its independence as auditor of the Company.

Any non-audit services require approval by the Committee and the amounts are set out in note 6 to the financial statements. Non-audit fees comprised mainly fees for audit-related assurance services for the review of the Company's Interim Statement.

Non-audit fees amounted to £25,000 (2016/17: £27,000) compared to £184,000 (2016/17: £178,000) of audit fees. The non-audit fees as a percentage of audit fees was 14% (2016/17: 15%), which reflects the restrictive policy governing the use of PwC for non-audit services.

Auditor appointment and tendering

PwC has served as Abcam's external auditor since September 2013, when a full tender process was undertaken. The current audit partner, Simon Ormiston, has served for a five-year term since the firm's appointment and in accordance with best practice and the Auditing Practices Board Ethical Standards, rotates following the 2017/18 audit. We would like to take this opportunity to thank Simon for his valuable input and welcome Sam Taylor as his successor.

After considering PwC's continued objectivity, independence and performance and with PwC having confirmed its willingness to continue in office as external auditor, the Committee recommended to the Board that PwC be re-appointed as external auditor for the 2018/19 financial year, subject to approval at the AGM.

Conclusions

The Committee has had another productive year providing oversight of financial reporting, external and internal audit, and the further development of the control and risk environments. This will continue as the Group grows and develops in line with its strategy and we will ensure that finance and risk capability is enhanced to manage in an increasingly complex business.

Sue Harris
Audit and Risk Committee Chairman
7 September 2018

Remuneration Committee

This has been an important year for the Committee during which we have completed a strategic review of our remuneration structure which aims to continue to support Abcam's sustainable, long-term growth and our underlying philosophy of share ownership.

Louise Patten, MA (Oxon)
Remuneration Committee Chairman

Louise Patten

Committee meetings

6

Committee members and attendance

	Meetings
Louise Patten (Chairman)	6/6
Peter Allen	1/1
Mara Aspinall	6/6
Sue Harris	6/6
Murray Hennessy	3/3

On behalf of the Board, I am pleased to present the Committee's report for the year ended 30 June 2018.

Abcam delivered another strong financial performance in 2018, with reported revenue growth of 7.4% to £233.2m (2017: £217.1m) or 10.7% on a constant currency basis. Reported diluted earnings per share (reported EPS) increased by 45.9% to 30.2p (2017: 20.7p). These results were achieved in the context of continued investment in major capital projects that will provide us with the infrastructure and systems to support our future growth including our ongoing Oracle Cloud ERP implementation and relocation to our new headquarters.

Within this context I would like to provide you with an overview of the Committee's major decisions during 2017/18.

Engagement with stakeholders

Our intention to undertake a review of our Remuneration Policy was communicated to stakeholders in last year's annual report. We have completed the review and now present a new Directors' Remuneration Policy (the 'Policy') which aims to continue to support Abcam's sustainable, long-term growth and our underlying philosophy of share ownership. We have sought to hear shareholders' views via both direct communication and ongoing broader investor interaction. The decisions made have taken into consideration the balance of the feedback received.

New global share plan

This year we are introducing a new global all employee share plan to bring greater alignment across the organisation and with the interests of our stakeholders.

New Remuneration Policy

Following completion of the strategic review of our remuneration structure and receipt of feedback from stakeholders, we now present a number of changes to the Policy which will be put to an advisory vote at the 2018 AGM.

The review was undertaken in the context of Abcam's exceptional growth and value creation for shareholders since Alan Hirzel was appointed CEO in September 2014 and our confidence in our ability to create long-term profitable growth. Over this period, total shareholder return has been 233.9% compared with 41.7% across the AIM all-share index. These strong shareholder returns are primarily a consequence of the positive sales and profit growth that Abcam has delivered, and we continue to see opportunities for further profitable growth, both organically and through acquisitions.

The principal change in the Policy is an increase to the maximum potential annual LTIP award from 150% to 400% of base salary for the Executive Directors. In 2018/19, awards will be 400% and 200% of salary for the CEO and CFO respectively. While this changes the maximum potential award, the actual size of future annual LTIP awards will continue to be rigorously assessed before grant, and will vest subject to stretching targets. The intention behind this increase in maximum award potential is to further promote the underlying philosophy of share ownership among our Executive Directors and to reward the sustainable delivery of long-term profitable growth. We will also continue to operate post-vesting holding periods which give our LTIP an overall time horizon of six years for the CEO, and five years for the CFO.

To ensure that performance targets are balanced, while the current EPS and strategic targets will be retained for the pre-existing LTIP awards – 125% for the CEO and 100% for the CFO – a revenue growth target has been added for the additional LTIP element.

The Committee is aware of and supports the Investment Association guidelines regarding share dilution. This provides the overall dilution measured over a cumulative ten year period for discretionary plans should not exceed 5% and under all employee share plans, should not exceed 10%. The Group monitors regularly its compliance with these measures and dilution under our discretionary and all employee share plans currently stands at 1.6% and 3.7% respectively. The changes to the LTIP – and the introduction of our new global all employee share plan – are not foreseen to have a significant effect on dilution, which is expected to remain below 5% over the next decade across all schemes.

The other changes to the Policy are focused on process improvements and to reflect recent changes to the wider employee reward framework. A summary of all the key Policy changes can be found on page 73 of this report and the full Policy is set out on pages 74 to 84.

Non-Executive Director changes

Murray Hennessy stepped down as Chairman and I assumed the role of interim Chairman on 14 November 2017 until the appointment of Peter Allen as Chairman on 18 June 2018.

Base salary for Executive Directors and the Company Chairman's remuneration

The Remuneration Committee's policy is to offer remuneration which is competitive with comparable publicly listed companies and to provide incentives which fairly and responsibly reward individuals for their contribution to the long-term sustainable success of the Group.

- Alan Hirzel received an increase in his base salary of 22.0% to £600,000 effective 1 July 2018 following a review of our Directors' base salaries which showed that his previous salary of £492,000 had fallen considerably below the market for CEOs at comparable life sciences and similarly sized listed companies. Given this data and our expectations for the continuing growth of the business, and following engagement with our shareholders, it was considered appropriate to increase the CEO's salary to a level more closely in line with the market.
- Gavin Wood received an increase to his base salary of 2.5% to £315,180 effective 1 July 2018 in line with the budgeted increase awarded to Abcam's UK employees.
- Peter Allen was appointed Chairman on 18 June 2018 and his total fee for 2018/19 was set at £225,000.

Details of the interim Chairman's fees and changes to Committee chairmanship fees are provided on pages 87 and 93. While these decisions were not taken by the Remuneration Committee, they are provided in this report as part of our reporting on Directors' remuneration.

Remuneration at a glance

2017/18 remuneration out-turns for Executive Directors

- Annual Bonus Plan (ABP) – the annual bonus out-turns in 2017/18 were 75.0% and 50.0% of the maximum award for financial and strategic measures respectively, reflecting a strong performance against stretching targets during the year. In combination with a good performance against personal objectives for both our Executive Directors, this means our Annual Bonus Plan will pay 62.5% of the maximum for both the CEO and CFO of which 30% is deferred into shares, in line with our policy. Further details regarding achievement against each performance target are set out on page 86.

- Long Term Incentive Plan (LTIP) – the award granted to Alan Hirzel on 6 November 2015 (at a maximum of 125% of salary), had performance conditions related to reported Earnings Per Share (reported EPS) and strategic KPIs measured over the three financial years ended 30 June 2018. Over the performance period, compound reported EPS grew 20.7% per annum against a minimum target of 8% and a maximum target of 12%. The Company also achieved all strategic performance measures except one, and the award will therefore vest at 90.44% of the maximum award. Further detail regarding the achievement against the performance targets is on page 86.

Overview of out-turns and performance

These results show that Abcam has again delivered against ambitious financial targets for the year, while investing in the business to sustain long-term growth and value creation for shareholders.

The Committee has continued to ensure the remuneration outcomes are aligned with our strategy and performance, and we strongly believe that our new Policy will further support the Company's sustainable long-term success.

Louise Patten

Louise Patten
Remuneration Committee Chairman
7 September 2018

Strategically aligned

Our remuneration structure reflects and is aligned with our business strategy and culture. Equity ownership is central to our approach to remuneration which we believe can drive the right long-term behaviour and alignment with stakeholders' interest in the Company's sustainable long-term profitable growth. To further align the interests of Executive Directors with those of stakeholders, they are required to build and maintain significant shareholdings in Abcam over time, equal to two-times their base salaries in value.

This year we are introducing a new global all-employee share purchase plan with a significant performance match from Abcam to bring greater alignment across the organisation and with the interests of our shareholders.

Pay for performance

The remuneration of our leaders is structured to promote the long-term success of the Company and to reward value creation for our stakeholders.

Short-term incentives:

Assessment of short-term incentives under the Annual Bonus Plan (ABP) is made against a corporate scorecard of key performance measures built around Abcam's key financial and other strategic priorities for the relevant year. There is a deferral of shares under the ABP for Executive Directors and senior managers for a further two-year period following the initial year of performance measurement.

Long-term incentives:

Awards are linked to long-term financial and strategic objectives. To further promote equity ownership and long-term performance, vesting occurs at the end of a three-year period with holding periods applying up to a further three years.

Market competitive

All elements of our remuneration are regularly reviewed to ensure they remain market competitive in order to attract and retain talent as well as to avoid excessive overpayment.

Fair pay

We are committed to paying our people fairly, ensuring that all our employees are appropriately and fairly rewarded for their contributions.

Clear, transparent and simple

A key priority is to ensure that all of our employees understand how they are rewarded and we believe our remuneration structures should be as clear and simple as possible so that everyone can understand how they are remunerated for performance.

Compliance and risk

The Committee's role is to ensure our remuneration structures are compliant with the laws and corporate governance requirements that apply and risk assessment is a key consideration of all remuneration decisions.

2017/18 Remuneration at a glance

Components of remuneration

Fixed

Salary + Pension and other benefits

= Fixed total

Variable

Annual bonus + LTIP

= Variable total

Total

Fixed + Variable

= Total remuneration

Fixed

Salary	£'000
CEO – Alan Hirzel	**492**
CFO – Gavin Wood	**308**

Pensions and other benefits	
CEO – Alan Hirzel	**67**
CFO – Gavin Wood	**41**

Other taxable benefits	
CEO – Alan Hirzel	**3**
CFO – Gavin Wood	**24**

Share incentive plan	
CEO – Alan Hirzel	**5**
CFO – Gavin Wood	**5**

Variable

Annual bonus

Bonus out-turn for 2017/18	£'000
CEO – Alan Hirzel	**461**
CFO – Gavin Wood	**288**

Performance measures		Weighting	Achievement	2017/18 Out-turn (% of maximum)
Financial	Adjusted profit before tax (Adjusted PBT)	**50%**	**Exceed**	**37.50%**
Strategic	Recombinant antibody revenue growth	**11%**	**Target**	**5.50%**
	Immunoassay revenue growth	**11%**	**Threshold**	**2.75%**
	Customer engagement: NPS	**11%**	**Exceed**	**8.25%**
Personal	Individual performance	**17%**	**Target**	**8.50%**
Overall				**62.50%**

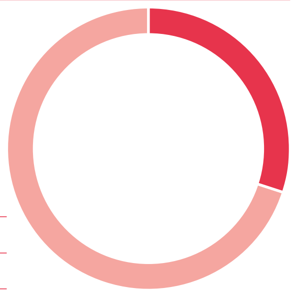
LTIP

2015 LTIP out-turn for 2015–2018	£'000
CEO – Alan Hirzel	**760**
CFO – Gavin Wood	**N/A**

Performance measures		Weighting	Achieved	LTIP vesting (% of maximum)
Financial	Compound annual reported EPS growth	**70.0%**	**Maximum**	**70.00%**
Strategic	RabMAb revenue growth	**7.5%**	**Maximum**	**7.50%**
	Non-primaries revenue growth	**7.5%**	**Above threshold**	**5.44%**
	Net promoter score relative to market leader	**7.5%**	**Below threshold**	**0.00%**
	Market position	**7.5%**	**Maximum**	**7.50%**
Overall				**90.44%**

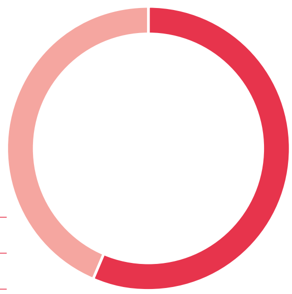
Total remuneration

CEO – Alan Hirzel



Fixed	31.7%
Variable	68.3%

CFO – Gavin Wood



Fixed	56.8%
Variable	43.2%

Shareholding requirements

		Actual shareholding as a % of salary
CEO – Alan Hirzel	200% of base salary	**248.5%**
CFO – Gavin Wood	200% of base salary	**49.1%**

Directors' Remuneration Policy

Following a strategic review of our current Policy, we are presenting the changes set out below which will be put to an advisory vote at the 2018 AGM.

Element	2018 changes
Base salary	No change in policy.
Pension and benefits	The existing Share Incentive Plan (SIP) is being replaced by a new global all-employee share plan in which the Executive Directors will not be eligible to participate. All references to SIP have been removed from the policy. All other aspects of the policy pertaining to pension and benefits remain unchanged.
Annual Bonus Plan (ABP)	No change in policy.
Long Term Incentive Plan (LTIP)	*Maximum award levels* In order to improve the alignment of the CEO and CFO's shareholding opportunity with the potential for continued profitable growth in the business, we are increasing the maximum annual LTIP award from 150% to 400% of salary. While this changes the maximum potential award, the actual size of future annual LTIP awards will continue to be rigorously assessed before grant and will vest subject to stretching targets. Given Abcam's growth trajectory, the current EPS and strategic targets are being retained for part of the award, and an additional, profitable revenue growth target will be incorporated as set out below for the 2018 awards: • CEO – 125% of base salary measured against EPS and strategic targets, and 275% of base salary against profitable growth targets • CFO – 100% of base salary measured against EPS and strategic targets, and 100% of base salary against profitable growth targets *Vesting for 'good leavers'* Currently, unvested LTIPs lapse on cessation of employment for any reason, unless the Committee 'in its absolute discretion determines otherwise for reasons including, amongst others, injury, disability, ill health, retirement, redundancy and death'. If discretion is exercised, the award is to be pro-rated for time. The Committee can choose whether performance criteria are measured on termination date or at the end of the three-year holding period. Under the new Policy, the Committee will ordinarily exercise its discretion so that the LTIPs of good leavers (as per the existing definition in the LTIP rules) will vest at the end of the usual three-year holding period, subject to the satisfaction of the performance requirements, but pro-rated to reflect the proportion of the holding period worked, and subject always to any adjustment for malus and clawback. Post-vesting retention periods will remain in place for good leavers. *Company Share Option Plan (CSOP)* The Company Share Option Plan (CSOP) is no longer in operation and, as a result, the following reference to it has been removed: 'Subject to statutory limits, the first £30,000 of value awarded under the LTIP may be structured to be tax efficient using an HMRC tax advantaged executive share option scheme. This involves making a simultaneous award under the Company Share Option Plan'.
Recruitment policy	The existing Policy only allows for the Company to buy out unvested awards of candidates in the recruitment of Executive Directors. Under the new Policy, this restriction is eased to allow greater flexibility to offer sign-on awards at the Remuneration Committee's discretion.

Directors' Remuneration Policy

The Remuneration Committee's policy is to attract and retain individuals of the highest calibre by offering remuneration competitive with comparable companies, and to drive Group performance by providing arrangements which fairly and responsibly reward individuals for their contribution to the success of the Group.

Performance-related bonuses and long-term equity-based remuneration linked to demanding targets represent a substantial proportion of Executive Directors' potential remuneration, which aligns the interests of the individuals with those of our stakeholders.

The Committee is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk taking.

The following table summarises the key elements of our remuneration policy:

Element	Summary description
Base salary	Base salaries are set at a level to recognise the market value of the role, and an individual's skills, experience and performance.
Pension and benefits	Pension and other benefits are provided in line with market practice.
Annual Bonus Plan (ABP)	An annual bonus may be payable each year subject to performance against a scorecard of financial and non-financial targets. A portion is deferred as shares for a period of two years and is subject to clawback.
Long Term Incentive Plan (LTIP)	Nil-cost options or conditional share awards vest at the end of a three-year performance period, subject to stretching and specific financial and strategic performance measures. Maximum annual awards will be 400% of salary. An additional holding period of up to a further three years aligns with our philosophy of executive share ownership and long-term sustainability. Awards are subject to clawback provisions for a period of two years following vesting.

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Future Policy table

Fixed elements – Base salary	
Purpose and link to strategy	To provide an appropriately competitive level of base salary in order to enable the Group to recruit, retain and motivate Executive Directors of the calibre required to achieve the Group's business strategy and objectives. To reflect the individual's skills, experience and role within the Group.
Operation	Base salaries are paid monthly in cash and are reviewed annually with increases applying from July in each year, although an out-of-cycle review may be conducted if the Committee determines it to be appropriate. A review will not necessarily lead to an increase in salary. When determining salaries, the Committee typically takes into account: • business performance • individual performance, skills, experience and potential • salary levels at companies of a similar size, industry, global scope and complexity to Abcam, as well as market conditions • the pay and conditions of employees elsewhere in the Group
Maximum opportunity	While there is no maximum, salary increases will typically be limited to the general level of increase awarded to other employees in the Group. Higher increases may be made at the Committee's discretion for reasons including (but not limited to): • increase in the scope and/or responsibility of the individual's role • realignment to market level • where a larger increase is considered necessary for the retention of an Executive Director
Performance measures	No specific performance measures are used, although the overall performance of each Executive Director is considered by the Committee when reviewing base salaries.

Future Policy table continued

Fixed elements – Benefits	
Purpose and link to strategy	To provide competitive benefits in line with market practice to enable the Group to recruit and retain high-calibre Executive Directors. To support personal health and well-being.
Operation	The Executive Directors are provided with core benefits of life insurance cover up to five times base salary, family private medical cover and annual health screening. The Company contributes a percentage of base salary into a flexible benefits/salary sacrifice scheme which allows the Director to choose a variety of benefits to suit individual needs, such as: additional life assurance, critical illness cover, dental insurance, cycle to work scheme, and additional holidays. Other benefits may be provided if the Committee considers it appropriate, such as company car benefits. Expenses incurred in the performance of duties may be reimbursed or paid for directly, including any tax due on expenses. Situation-specific taxable benefits may be provided as may be required in the interests of the Group's business, such as, but not limited to, housing or relocation allowances, travel allowance or other expatriate benefits.
Maximum opportunity	Reasonable market cost of providing benefits plus the employer's National Insurance (NI) saving on any salary sacrificed. There is no overall maximum level of benefit.

Fixed elements – Pension benefits	
Purpose and link to strategy	To provide pension contributions in line with market practice, which will enable Directors to plan for retirement.
Operation	The Company contributes a percentage of base salary into a flexible benefits/salary sacrifice scheme, as described above, which allows the Director to choose a variety of benefits including pension contributions. The Director also has the option to sacrifice an element of base pay to purchase additional benefits as detailed above. If as a result of any salary sacrificed the Company's NI liability is reduced, the benefit of this reduction is added as a contribution to each Director's pension fund. For those in excess of the pension annual and/or lifetime allowance applicable in the UK, the Company's contribution may be taken as a cash allowance (subject to payroll deductions and a reduction to reflect any employer-related NI costs arising).
Maximum opportunity	The current maximum level of Company contribution is 13%. This may be amended from time to time in accordance with benchmarking reviews against current market practice.

Future Policy table continued

Short-term incentives – Annual Bonus Plan (ABP)	
Purpose and link to strategy	To incentivise Executive Directors to achieve performance objectives that are directly linked to both the Group's short-term and long-term financial and strategic goals. The performance measures align to the strategy of the business and stakeholder value creation. The deferred portion of the award aligns the long-term interests of the Executive Directors and stakeholders and supports retention.
Operation	An annual bonus of both cash and deferred shares may be awarded under the ABP. The cash component of the annual bonus, if earned, is paid in cash after the audited preliminary announcement of results for that financial year. Deferred shares have a compulsory deferral of a further two years, subject to continued employment within the Group. Bonus payments are not pensionable.
Maximum opportunity	150% of base salary, of which at least 30% of the bonus must be deferred in shares.
Performance measures	Targets for the bonus may be based on individual performance, strategic priorities for the Group and financial performance measures. Performance is assessed over one financial year. Individual performance is normally measured through an assessment of comprehensive business deliverables, demonstration of company behaviours and the achievement of specific individual objectives. Financial performance targets are chosen carefully to ensure a strong link between reward and underlying Group financial performance. As an example, these measures may typically include Adjusted Profit Before Tax (Adjusted PBT) or other measures as appropriate. Strategic performance targets are selected from measurable key performance indicators aligned with Abcam's stated strategy. The exact measures, weightings, threshold vesting and targets are determined by the Committee each year taking into account the Group's key strategic priorities and the approved budget for the year. In addition to the above performance measures, an award may be reduced (including to nil) where the Committee determines that a participant has underperformed.
Malus and clawback	The Committee may reduce or cancel any cash award that has not been paid in the case of a material adverse adjustment to the audited consolidated accounts of the Company for any accounting period ending before the payment of the cash award, or following fraud or other gross misconduct of the participant. In addition, the Committee may reduce or reclaim any deferred share award in the case of a material adverse adjustment to the audited consolidated accounts of the Company or following fraud or other gross misconduct, material dishonesty, material failure of risk management and/or material wrongdoing on the part of or by the participant for a period of two years following the end of the initial year of performance measurement. There is no clawback in relation to the cash component of awards under the ABP.

Future Policy table continued

Long-term incentives – Long Term Incentive Plan (LTIP)

Purpose and link to strategy

To incentivise long-term value creation through the setting of stretching targets which ensure a strong link between reward, underlying Group financial performance and shareholder returns.

To support recruitment and retention.

Operation

Annual nil-cost options or conditional share awards vesting at the end of a three-year performance period.

Significant post-vesting holding periods will apply as follows:

% of award	CEO	Other Executive Directors
Released after three-year vesting period	**40%**	50%
Released after four years	**20%**	25%
Released after five years	**20%**	25%
Released after six years	**20%**	—

Maximum opportunity

The maximum award will not exceed 400% of base salary.

Performance measures

Vesting of awards is based on specific financial or quantifiable strategic measures against stretching targets over the vesting period.

The vesting period is three years from the date of grant, or such other period set by the Committee in its discretion.

The exact measures, weightings, threshold vesting and targets are determined by the Committee each year taking into account the Group's key strategic priorities and the Group's longer-term financial outlook.

Malus and clawback

The Committee may reduce or cancel any award that has not been released in the case of a material adverse adjustment to the audited consolidated accounts of the Company for any accounting period ending before the release of the award, or following fraud or other gross misconduct of the participant.

In addition, the Committee may reclaim any award that has already been released in the case of a material adverse adjustment to the audited consolidated accounts of the Company or following fraud or other gross misconduct, material dishonesty, material failure of risk management and/or material wrongdoing on the part of or by the participant for a period of two years following the release of the award or throughout any period that a participant is subject to a work-related criminal investigation.

Malus and clawback apply where stated in the above tables. Other elements of remuneration are not subject to recovery provisions. References to base salary in the table above refer to base salary prior to any voluntary waiver.

The Remuneration Committee believes that situations may arise when it would be in the Company's best interests for them to retain discretion on certain matters as to how the Remuneration Policy described above is applied. These are as follows:

- To override formulaic outcomes, taking account of company and individual performance and wider circumstances;
- In the context of one-off recruitment cash or equity awards, determine appropriate performance conditions for any equity award, taking account of the circumstances of each individual case;
- In the operation of the LTIP, subject to any statutory prohibition:
  - vary the period from the date of grant to the vesting of an award from the usual three year period
  - determine and vary the post-vesting holding period
  - meet any stamp duty or liability for any other taxes or expenses arising
  - impart additional and/or modified terms and conditions relating to the grant, release or exercise of any award as may be necessary to comply with or take account of any relevant laws or regulations
  - determine whether the participant shall be liable for the employer's NI contributions payable on the release or exercise of an award
  - under the LTIP, on a change of control, merger or demerger, the Remuneration Committee may at its discretion determine the proportion of the award that shall be released, taking account of whatever factors it considers appropriate, as well as the period over which those awards may be exercised
  - in the event of the cessation of employment for reasons including, amongst others, injury, disability, ill health, retirement or redundancy, the Committee would ordinarily exercise its discretion so that all outstanding LTIP awards will vest at the end of the usual three-year holding period, subject to the satisfaction of the performance requirements, but pro-rated to reflect the proportion of the holding period worked, and always subject to any adjustment for malus and claw back. Post vesting retention periods will normally remain in place for good leavers
  - determine the period over which a participant may exercise all released nil-cost option awards, following cessation of employment
  - if events subsequently occur which cause the Committee to consider that the existing performance requirements have become unfair or impractical, amend the relevant performance requirements, ensuring that they are no more or less difficult to abide by or satisfy as those originally imposed or last amended
  - to determine that any LTIP award should be reduced if it reasonably considers that there is a significant misalignment between the attainment of the performance targets and the underlying sustainable performance improvement of the Company
- In the operation of the ABP:
  - where the Committee is of the opinion that the Group is facing severe cash flow restraints that threaten the Group's ability to fund its operations, it can reduce the proportion of a cash award under the ABP which is capable of vesting or determine that the cash award may be settled in plan shares, in whole or in part; and
  - to determine that any annual or deferred bonus awards should be reduced if it reasonably considers that there is a significant misalignment between the attainment of the performance targets and the underlying sustainable performance of the Company.

Selection of performance measures and how targets are set

Annual Bonus Plan (ABP)

The annual award under the ABP normally consists of three components: financial profit measures, key strategic goals and an individual performance measure based on the achievement of specific personal targets.

Financial performance measures are set annually and chosen carefully to ensure a strong link between reward and underlying Group financial performance. Each year the Committee considers the most appropriate target to apply for the following financial year, taking into account the Group's key strategic priorities and the approved budget for the year.

The strategic goals are based on successful delivery against a set of performance measures which are chosen by the Committee to closely align to the strategy of the business and shareholder value creation.

The individual performance bonus objectives are normally specific to each Executive Director and are set based on comprehensive business deliverables, personal performance and the achievement of specific individual objectives. The Committee may determine that measures and targets apply across some or all Executive Directors.

Achievement of the targets for these measures would result in a 50% payout of the relevant maximum bonus, with adjustments to reflect over or under performance.

Long Term Incentive Plan (LTIP)

Performance measures for the LTIP are selected after careful consideration by the Committee and where appropriate following consultation with stakeholders.

The Committee believes that a combination of revenue and reported EPS growth as well as measures based on Abcam's key strategic priorities currently provides the best alignment to Group strategy and will encourage, reinforce and reward the delivery of sustainable shareholder value. It is intended that the proportion of awards tied to each performance measure will be as follows:

Job title	Proposed 2018/19 award level – % of salary	Proposed measures
CEO	400%	125% of salary measured against reported EPS and strategic targets. 275% of salary measured against profitable revenue growth targets.
CFO	200%	100% of salary measured against reported EPS and strategic targets. 100% of salary measured against profitable revenue growth targets.

Remuneration arrangements across the Group

We firmly believe that successful delivery of our strategy can only be achieved with engaged and motivated employees and that our Group remuneration philosophy is sufficient to attract and retain high-calibre individuals. While this philosophy is consistent across the Group there may be variations due to a range of factors, including geography and the prevailing conditions in the local talent market.

- **Salaries and benefits** – a range of factors are considered including business and individual performance, the pay of other employees and external market data.
- **LTIP and ABP** – in addition to participation in the LTIP, key management below Board level may receive some of their annual bonus in shares under the ABP, which must be deferred as shares for a further two years. The targets and deferral retention policies under both schemes are in line with the policy for Executive Directors (except for the extended holding period under the LTIP, which applies only to the Executive Directors).
- **All-employee share plans** – a strongly-held view of Abcam's Board and Executive Leadership Team is that broad-based share ownership creates alignment around the organisation as well as helping the Company to attract and retain the highest calibre people. Accordingly, we are introducing a new three-year, global all-employee share scheme in 2018/19 which will be a co-investment scheme with a generous performance match from Abcam, together with an enhanced LTIP scheme for a small group of our top talent. The Executive Directors will not be eligible to participate in either scheme.

Chairman and Non-Executive Director (NED) remuneration policy

Overall remuneration	
Purpose and link to strategy	To attract and retain an appropriately experienced Chairman and independent NEDs of suitable calibre to fulfil a range of different roles including financial expert/Audit and Risk Committee Chairman, Senior Independent Director and other Committee Chairmen. To pay fees that reflect responsibilities and workload undertaken and that are competitive with peer companies.
Operation	NED fees consist of a base fee plus a fee for chairmanship of the Remuneration Committee and the Audit and Risk Committee. NED fees are determined by the Chairman of the Board and the Executive Directors. The Chairman's fee is proposed by the Committee and approved by the Board as a whole with the Chairman taking no part in the decision. Fees are reviewed on an annual basis and take account of fees paid for similar roles by peer companies and the skills and expected time commitment of the individual concerned. An out-of-cycle review may be conducted if the Committee determines appropriate. Fees are delivered two thirds in cash and one third in a fixed number of Company shares. Expenses incurred in the performance of non-executive duties may be reimbursed or paid directly, including any tax due on expenses. The NEDs and the Chairman are not eligible to receive bonuses or pension contributions, nor can they participate in the executive or all-employee share plans.
Maximum opportunity	Fees are set at an appropriate level taking into account the factors outlined in this table. Additional fees may be paid where Non-executive Directors perform services with additional scope or special attention to the business of the Group.
Performance measures	None.

Recruitment policy

Our philosophy for remuneration is to attract and retain leaders who are focused and encouraged to deliver business priorities within a framework that is aligned with the long-term interests of the Company's stakeholders.

The following factors are taken into account when negotiating a new appointment as Executive Director to the Board:

- **Base salary** – to be set based on relevant market data, experience and skills of the individual, internal relativities and their current base salary. Where new appointments have initial base salaries set below market, the shortfall will normally be managed with phased increases over a period of two to three years, subject to their development in the role. For interim positions a cash supplement may be paid rather than salary.

- **Bonus** – the annual and deferred bonuses described in the table above will apply to a new appointee with the relevant maximum being pro-rated to reflect the proportion of employment over the year. The Committee may determine that for the first year of appointment the annual bonus award will be subject to such conditions as it may determine.

- **Share incentives** – usually new appointees will be granted awards under the LTIP on the same terms as other Executive Directors.

- To facilitate the recruitment of an Executive Director it may be necessary to grant a share award or cash bonus, including the buy-out of existing awards from their current employer. Any award may take the form of a cash payment or share award and in the context of a buy-out arrangement, would take into account the terms of the arrangements (e.g. form of award, performance conditions and timeframe) being forfeited. So far as practical any award would make use of existing plans.

- The maximum level of variable remuneration which may be granted in the first year (excluding buy-outs or sign-on awards) is in line with the aggregate maximums set out in the Policy table.

Service contracts and termination arrangements

Executive Directors' service contracts, which include details of remuneration, will be available for inspection at the Company's registered office.

Executive Directors have rolling service contracts.

The details of Executive Directors' contracts are summarised below:

	Commencement of contract	Notice period (months)
Alan Hirzel	9 Sep 14	12
Gavin Wood*	12 Sep 16	12

* Gavin Wood joined as CFO-elect on 18 July 2016, and was appointed as an Executive Director on 12 September 2016.

Any payment in lieu of notice is at the Committee's discretion and both mitigation and the phasing of payments through the notice period would be considered by the Committee where appropriate. If appropriate, certain expenses or payments may be provided in connection with termination, such as legal costs and the costs of meeting any settlement agreement.

All NEDs, including the Chairman, serve under letters of appointment. Currently either party can terminate on one month's written notice, other than Jonathan Milner whose contract provides for a six-month notice period. The policy in relation to notice periods may be reviewed from time to time but will not exceed six months.

Neither the Chairman nor the NEDs have any right to compensation on the early termination of their appointment. The details of NEDs' current contracts are summarised below:

	Commencement of contract	Notice period (months)
Jonathan Milner	9 Sep 14	6
Sue Harris	12 Dec 14	1
Louise Patten	27 Mar 14	1
Mara Aspinall	14 Sep 15	1
Peter Allen*	18 Jun 18	1

* Peter Allen's notice period is one month under normal circumstances and three months in the event of a change of control of the Company.

Vesting of incentives for leavers

Cash and deferred share awards under the ABP

Any cash or deferred share awards outstanding under the ABP will ordinarily lapse on termination of employment. In certain circumstances, such as injury, disability, ill health, retirement, redundancy and death or any other reason at the discretion of the Remuneration Committee, it will vest in full on the second anniversary of the date of grant.

Alternatively, the Remuneration Committee may determine that deferred shares vest at cessation of employment. Where vested deferred share awards are in the form of a nil-cost option, the award holder would then be entitled to exercise these for a period of twelve months from the date of vesting, after which time any unexercised nil-cost options will lapse.

Any unvested cash or deferred award outstanding under the ABP may be paid, normally on a pro-rata basis for the period of the financial year in employment, at the Remuneration Committee's absolute discretion. Any bonus paid would be based on the Remuneration Committee's assessment of the achievement of the relevant performance targets.

LTIP awards

Unvested LTIP awards ordinarily lapse on cessation of employment. Under circumstances of injury, disability, ill health, retirement, redundancy or death – amongst others – the Committee will ordinarily exercise its discretion so that outstanding LTIP awards will vest at the end of the usual three-year holding period, subject to the satisfaction of the performance requirements, but pro-rated to reflect the proportion of the holding period during which they were employed by the Company.

Change of control

All of Abcam's equity-based plans contain change of control clauses. Deferred share awards typically vest upon change of control. Under the LTIP, on a change of control, merger or demerger, the Remuneration Committee may at its discretion determine the proportion of the award that shall be released, taking account of whatever factors it considers appropriate, as well as the period over which those awards may be exercised.

Existing contractual arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Remuneration Policy where the terms of the payment were agreed:

(i) before the Policy came into effect; or
(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee may make minor changes to the Policy that do not have a material advantage to Directors, to aid in its operation or implementation, without seeking stakeholder approval but taking into account the interests of stakeholders.

Remuneration scenarios

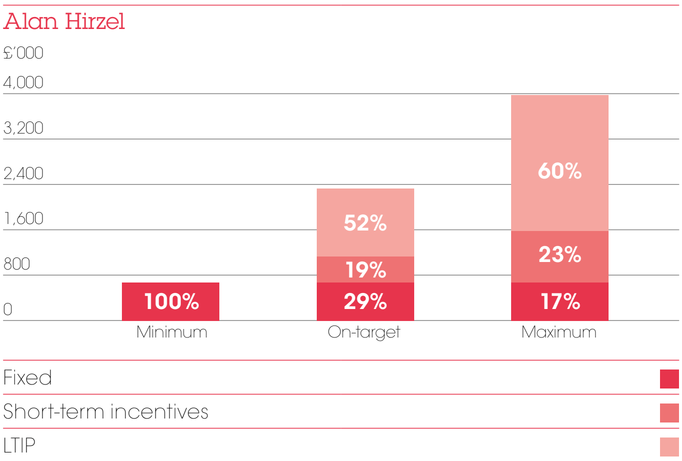
The charts below show hypothetical values of the remuneration package for 2018/19 in line with the Policy above and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component. These charts are for illustrative purposes only and actual outcomes may differ from those shown.

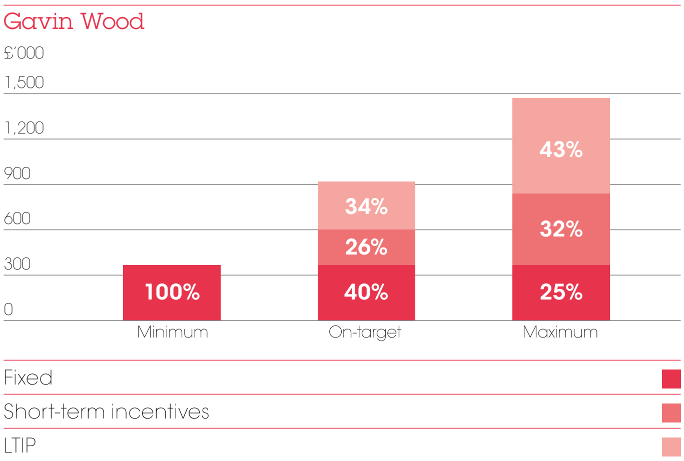
For these purposes, base salary is the latest known salary for 2018/19, benefits are as disclosed in the single figure table for 2017/18 and pension is calculated as 13% of base salary, assuming no cash election or waiver has been made.

Three scenarios have been illustrated for each Executive Director:

Minimum performance	• No bonus payout • No vesting under the LTIP
On-target performance	• 75% of salary payout under the ABP (of which 30% is deferred into shares, being 22.5% of salary) • LTIP reflecting the 2018/19 award levels to a value of 400% of salary for Alan Hirzel and 200% of salary for Gavin Wood, vesting at 50% of maximum
Maximum performance	• 150% of salary payout under the ABP (of which 30% is deferred into shares, being 45% of salary) • LTIP reflecting the 2018/19 award levels to a value of 400% of salary for Alan Hirzel and 200% of salary for Gavin Wood, vesting at 100% of maximum

Remuneration scenarios continued





1 Fixed remuneration is comprised of salary, standard benefit provision and employer pension contribution/allowance.
2 Annual variable remuneration comprises cash awards under the ABP and deferred bonuses awarded under the ABP, for which performance targets are measured over a one-year period.
3 All scenarios assume no share price appreciation during the vesting period. Therefore, depending on share price performance, the actual outcomes could be higher.
4 All-employee share plans have been excluded, as have any legacy awards which Executive Directors may hold.

Stakeholder engagement

The Committee is strongly committed to an open and transparent dialogue with stakeholders on remuneration matters. We believe that it is important to meet regularly with our key stakeholders to understand their views on our remuneration arrangements and discuss our approach. The Committee will continue to engage with stakeholders going forward and will aim to consult on any material changes to the Policy or its application.

In formulating our new policy, we consulted with shareholders and sought to hear view views via both direct communication and as part of ongoing broader investor interaction. The policy takes into consideration the balance of the feedback received.

Consideration of conditions elsewhere in the Group

The Committee has oversight of the main compensation structures throughout the Group and actively considers the relationship between general changes to employees' remuneration and Executive Director reward. When considering potential changes to Executive Director remuneration the Committee is provided with comparative employee information, e.g. average salary reviews across the Group.

The Committee does not consider it appropriate to consult directly with employees when formulating Executive Director reward policy. However, it does take into account information provided by the Senior Vice President, Human Resources, and feedback from our global employee engagement survey, which includes questions about pay and conditions generally.

Annual Report on Remuneration

AUDITED INFORMATION

a) 2017/18 single figure for total remuneration for Executive Directors

The aggregate remuneration provided to Directors who have served as Executive Directors in the year ended 30 June 2018 is set out below, together with comparatives for the prior year.

Single figure for total remuneration

	Current Directors				Past Directors			
	Alan Hirzel		Gavin Wood[1]		Jeff Iliffe		Jim Warwick	
	2017/18 £000	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000	**2017/18 £000**	2016/17 £000
Salary	**492**	480	**308**	240	**—**	54	**—**	133
Taxable benefits[2]	**3**	3	**24**	1	**—**	1	**—**	1
Annual bonus	**461**	562	**288**	280	**—**	28	**—**	93
Long-term incentives[3]	**765**	260	**5**	5	**—**	130	**192**	155
Pension-related and other benefits[4,5]	**67**	64	**41**	42	**—**	1	**—**	3
Total remuneration	**1,788**	1,369	**666**	568	**—**	214	**192**	385

1 2016/17 figures represent the remuneration received from the date of appointment as an Executive Director on 12 September 2016.
2 Gavin Wood received a car benefit effective from 1 July 2017.
3 2017/18 long-term incentives for Alan Hirzel and Jim Warwick represent the value of the 2015 LTIP which will vest at 90.44% based on the average market value in the final quarter of the financial year, being £12.68. Jim Warwick's award has been pro-rated to reflect his leave date of 31 December 2016. The figures also reflect any Share Incentive Plan awards during the year.
4 Pension-related and other benefits include cash payments in lieu of pension contributions where pension contributions can no longer be made in a tax-efficient way.
5 During the year, the value ascribed to certain non-taxable benefits was reassessed and the comparative figures updated accordingly.

The figures in the total remuneration table above are derived from the following:

Salary	The amount of base salary received in the year.
Taxable benefits	Comprising amounts in respect of life insurance, private medical cover, annual health screening and company car benefits.
Annual bonus	For the year ended 30 June 2018, the maximum bonus opportunity for Executive Directors was 150% of salary. The bonus under the ABP consisted of three elements: Group profit performance, achievement of specific strategic goals and individual performance targets. 70% of the annual bonus will be paid in cash and 30% deferred into Abcam plc shares which will vest on the second anniversary of the dealing day immediately following the period of ten dealing days beginning on the day on which the Company announces its preliminary results for the financial year, subject to continuous employment.
Long-term incentives	The value of performance-related incentives whose performance targets relate to a period ending in the relevant financial year and the value of free and matching shares granted in the year under the HMRC-approved Share Incentive Plan (SIP). Both are based on the fair value of the shares at the date of grant. The values shown in the 2017/18 column relate to the LTIP award made in 2015 based on compound EPS performance and strategic KPIs, which will vest at 90.44%. The values shown in the 2016/17 column relate to the LTIP award made in 2014 based on compound EPS performance, which vested at 71.6% of the original shares awarded.
Pension-related and other benefits	The value of the contributions to the defined contribution pension plan (or the value of a salary or benefit supplement paid in lieu of a contribution to this pension plan) together with the residual balance of the flexible benefits package which is paid in cash, as well as other benefits.

AUDITED INFORMATION continued

a) 2017/18 single figure for total remuneration for Executive Directors continued

Annual and deferred bonus

The targets and performance outcomes which resulted in the annual bonus shown in the total remuneration table above are as follows:

Performance elements		Weighting	Target ranges and out-turn (% max) Threshold (25%)	Target (50%)	Exceed (75%)	Maximum (100%)	Achievement	2017/18 Out-turn (% of maximum)
Financial	Adjusted PBT[1]	50%	£81–83m	£83–85m	£85–87m	>£87m	Exceed	37.50%
Strategic	Recombinant antibody revenue growth	11%	17–21%	21–23%	23–25%	>25%	Target	5.50%
	Immunoassay revenue growth	11%	15–30%	30–33%	33–36%	>36%	Threshold	2.75%
	Customer engagement: NPS	11%	59–61%	61–63%	63–65%	>65%	Exceeds	8.25%
Personal	Individual performance	17%			Personal objectives		Target	8.50%
Overall								62.50%

1 Financial performance is based on the Group's adjusted PBT, amended to reflect bonuses on a budgeted exchange rate basis.

Long-term incentives

The values shown in the 2017/18 column in the total remuneration table above relate to the LTIP award granted on 6 November 2015. The value of the award at grant was a maximum 125% of salary and was based on performance against EPS and strategic KPIs over the three years ended 30 June 2018. Achievement against each performance condition and their respective weighting on the overall out-turn was as follows:

Performance measures		Weighting	Threshold target	Maximum target	Achieved	LTIP vesting (% of maximum)
Financial	Compound annual EPS growth	70.0%	8.0%	12.0%	Maximum	70.00%
Strategic	RabMAb revenue growth	7.5%	18.0%	24.0%	Maximum	7.50%
	Non-primaries revenue growth	7.5%	15.0%	25.0%	Above threshold	5.44%
	Net promotor score relative to market leader	7.5%	2nd	1st	Below threshold	0.00%
	Market position	7.5%	1st in primary antibodies category	Threshold plus 2nd in non-primaries antibody category	Maximum	7.50%
Overall						90.44%

AUDITED INFORMATION continued

a) 2017/18 single figure for total remuneration for Executive Directors continued

Pension-related and other benefits

The Company operates a flexible benefits scheme under which the Executive Directors are entitled to contributions made by the Company on their behalf equivalent to 13% of base salary with any unused balance paid as cash.

Each Executive Director can choose how to spend this contribution from the specific benefits available and also has the option to sacrifice an element of base pay to make additional pension contributions into the Company's defined contribution pension plan or to purchase other benefits.

Where Executive Directors have elected to preserve their current lifetime or annual allowance for pension contributions, they are entitled to draw a cash supplement or other benefits equivalent to the cost to the Company of their pension entitlement, adjusted for employer's National Insurance (NI) contributions, such that the Company is in a neutral position. These amounts have been included within the pension-related benefits disclosed in the total remuneration table on page 85.

b) 2017/18 single figure for total remuneration for the Chairman and the other Non-Executive Directors (NEDs)

The Company has a philosophy of share ownership which was extended to the Chairman and NEDs in the 2015/16 financial year by delivering one-third of their fees as Abcam shares. This arrangement was renewed effective 1 July 2018 and the notional share price under the arrangement will be re-calibrated.

Each NED has committed not to transfer or sell these shares during the term of their non-executive directorship.

Single figure for total remuneration

The aggregate fees paid to Non-Executive Directors who served the Company during the year ended 30 June 2018:

	Fees						
	2017/18			2016/17			
	Total fee £000	**Delivered as cash £000**	**To be delivered as shares[1] £000**	Total fee £000	Delivered as cash £000	Delivered as shares[2] £000	Number of shares delivered[2]
Current Non-Executive Directors							
Louise Patten[3]	**129**	**86**	**43**	50	33	17	1,636
Peter Allen[4]	**9**	**9**	**—**	—	—	—	—
Murray Hennessey[5]	**67**	**67**	**—**	150	100	50	6,554
Jonathan Milner	**70**	**47**	**23**	70	47	23	2,068
Sue Harris	**70**	**47**	**23**	50	33	17	1,625
Mara Aspinall	**70**	**47**	**23**	50	33	17	1,784
Past Non-Executive Directors							
Anthony Martin[6]	**—**	**—**	**—**	15	15	—	—
Michael Ross[6]	**—**	**—**	**—**	14	14	—	—
Total remuneration	**415**	**303**	**112**	399	275	124	13,667

1 Shares will be awarded at the beginning of the first open period following the announcement of the annual results in September 2018.
2 The number of shares delivered was calculated by converting one third of the NEDs' 2016/17 fees into a fixed number of notional shares at £5.95 per share (being the average share price for the ten dealing days following the announcement of the Company's annual results for the 2014/15 financial year). The notional shares were valued at the end of the 2016/17 financial year (at the closing price of the day of announcement of the Company's financial results, being £10.56); normal PAYE and NI deducted and the net amount used to purchase the actual shares delivered to each NED.
3 Louise Patten was appointed Interim Chairman from 14 November 2017 until 18 June 2018 and in recognition of this increased responsibility received a temporary increase of £100,000 per annum taking her total annualised fee to £170,000, pro-rated for her time as Interim Chairman.
4 Peter Allen was appointed Chairman on 18 June 2018 and received his fee for June 2018 in cash only. Effective 1 July 2018, his fee arrangement will be structured in the same way as the other Non-Executive Directors with two thirds paid in cash and one third in shares.
5 Murray Hennessy stepped down as Chairman on 14 November 2017. The 2017/18 'Delivered as cash' figure in the table above represents the pro-rated cash element of his fees to his departure date and the cash equivalent of his share entitlement to this date converted at the closing price on 14 November 2017, being £9.66.
6 Anthony Martin and Michael Ross stepped down from their roles as NEDs on 31 October 2016. The 2016/17 'Delivered as cash' figures in the table above represent the pro-rated cash element of their fees to their departure date and the cash equivalent of their share entitlement pro-rated to this date converted at the closing share price on 31 October 2016, being £8.71.

AUDITED INFORMATION continued

c) Executive Directors' scheme interests awarded during 2017/18

The table below sets out the scheme interests awarded during the year to the Executive Directors. As has been Abcam's practice, all ABP and LTIP targets will be fully disclosed after vesting, unless full disclosure would expose the business to a clear competitive risk.

Type of interest awarded	Executive Director	Award basis	Face value £000[1,2,3,4]	% of award vesting for minimum performance	Retention period	Performance period	Date of award	Date of vesting/ release
LTIP[5]	Alan Hirzel	125% base salary	615	25%	40% on 3 Nov 20 20% on 3 Nov 21 20% on 3 Nov 22 20% on 3 Nov 23	1 Jul 17–30 Jun 20	3 Nov 17	3 Nov 20
	Gavin Wood	100% base salary	308	25%	50% on 3 Nov 20 25% on 3 Nov 21 25% on 3 Nov 22	1 Jul 17–30 Jun 20	3 Nov 17	3 Nov 20
ABP – Deferred Share Award	Alan Hirzel	Up to 45% of base salary	168	N/A	N/A	N/A	26 Oct 17	26 Sep 19
	Gavin Wood		100	N/A	N/A	N/A	26 Oct 17	26 Sep 19
SIP Free Shares	Alan Hirzel	Maximum award per scheme rules	4	N/A	N/A	N/A	3 Nov 17	3 Nov 20
	Gavin Wood		4	N/A	N/A	N/A	3 Nov 17	3 Nov 20
SIP Matching Shares	Alan Hirzel	Maximum award per scheme rules	2	N/A	N/A	N/A	7 Dec 17	7 Dec 20
	Gavin Wood		2	N/A	N/A	N/A	7 Dec 17	7 Dec 20

1 The share price used to calculate the face value of the LTIP awards was the closing mid-market price on the day prior to the award date, being £10.20 for the 3 November 2017 awards.
2 The share price used to calculate the face value of the free shares was the closing share price of the date of award, being £10.42.
3 The share price of the matching shares acquired on 7 December 2017 was £9.72.
4 The share price used to calculate the face value of the deferred share awards was the ten-dealing day average beginning on the day on which the Company announced its financial results, being £10.48.
5 Awards made under the LTIP to Alan Hirzel and Gavin Wood are in the form of conditional shares and nil-cost options, respectively, and will be subject to an additional retention period following vesting as set out in the table above.

d) Executive Director departure arrangements

There have been no Executive Directors departing Abcam during the 2017/18 financial year.

e) Payments to past Directors

In April 2018, Jim Warwick (Executive Director until December 2016) exercised his remaining share options under the 2014 LTIP and 2015 Annual Bonus Plan. He sold all 29,999 shares upon exercise with the gross proceeds being £384,887 paid via payroll in May 2018, less tax, national insurance and applicable dealing fees.

There have been no other payments to past Directors during the year.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests

The Committee introduced a shareholding guideline of two times salary for all Executive Directors from the date of the 2015 AGM. This level is to be built up over a period ending on the later of the fifth anniversary of appointment or the fifth anniversary of introduction of the Policy, and ceases to apply after they cease to be an Executive Director of Abcam. Until the shareholding guideline is achieved, an Executive Director is prohibited from selling any shares they have acquired through a Company scheme. They can, however, sell sufficient shares to satisfy any tax liability that may arise on the release or exercise of an award.

The extent to which each Executive Director has met the shareholding guideline as at 30 June 2018, or their termination date where earlier, is shown in the table below:

				Outstanding scheme interests[3,4,5]			
Executive Directors	Shareholding: number of shares and as a percentage of salary[1, 2]	Type	Owned outright	Unvested, subject to performance measures	Unvested, not subject to performance measures	Vested but unexercised	Total of all-share interests and outstanding scheme interests
Alan Hirzel	**96,412** 248.5%	Shares	**96,412**	—	—	—	**96,412**
		LTIP awards[6]	—	**197,011**	—	—	**197,011**
		Deferred awards	—	—	**25,248**	—	**25,248**
		SIP free	—	—	**1,374**	—	**1,374**
		SIP matching	—	—	**713**	—	**713**
		SIP Dividend	—	—	**173**	—	**173**
			96,412	**197,011**	**27,508**	—	**320,931**
Gavin Wood	**11,912** 49.1%	Shares	**11,912**	—	—	—	**11,912**
		LTIP awards[6]	—	**105,192**	—	—	**105,192**
		Deferred awards	—	—	**9,554**	—	**9,554**
		SIP free	—	—	**773**	—	**773**
		SIP matching	—	—	**412**	—	**412**
		SIP Dividend	—	—	**19**	—	**19**
			11,912	**105,192**	**10,758**	—	**127,862**

1 Interests in shares owned outright or held by connected persons as at 30 June 2018, including available SIP shares held in Trust.
2 Value of shareholding calculated based on the average market value in the final quarter of the financial year, being £12.68.
3 Outstanding scheme interests under the LTIP, the SIP and the ABP (deferred share awards) take the form of rights to receive shares (nil-cost share options or conditional share awards).
4 Details of each scheme interest held by each Executive Director are set out on the following pages.
5 Outstanding scheme interests under the LTIP for which the performance conditions were not met have been excluded.
6 2016 LTIP CSOP-linked awards were not issued as intended due to an administrative error and as a result, the Remuneration Committee (based on independent advice from Deloitte) approved restructuring the awards so all shares awarded were rectified and granted under the LTIP scheme only. It is planned to complete the rectification of these awards in November 2018. Neither Executive Director will receive a higher award as a result of this correction.

Non-Executive Directors are not eligible to participate in the Company's share schemes. Their shareholdings as at 30 June 2018 were as follows:

	Total shareholding[1]
Jonathan Milner	**20,890,178**
Sue Harris	**3,240**
Louise Patten	**40,523**
Peter Allen	—
Mara Aspinall	**7,902**

1 Interests in shares owned outright or held by connected persons as at 30 June 2018.

There have been no changes in the interests of the Executive Directors or the NEDs between 30 June 2018 and the date of approval of the 2017/18 Annual Report and Accounts. With effect from 1 July 2015 it was agreed that the NEDs would receive a portion of their fees as a fixed number of fully paid ordinary shares delivered as soon as practicable in the first open period following the announcement of preliminary results each year.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

Details of scheme interests exercised in the year

Executive Directors	Scheme	Type of award	Number of shares	Exercise price £	Market price on date of exercise £	Gain on exercise £
Alan Hirzel	LTIP	Unapproved	**27,445**	**0.002**	**10.45**	**286,608**
	Annual Bonus Plan	Unapproved	**16,937**	**0.002**	**10.45**	**176,873**
			44,382			**463,481**

Details of outstanding scheme interests

LTIP awards

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

Executive Directors	Nil-cost options or conditional shares held as at 30 June 2017	**Nil-cost options or conditional shares awarded during the year ended 30 June 2018**	Award date	Market price per share at award	**Nil-cost options or conditional shares exercised during the year ended 30 June 2018[1]**	**Nil-cost options or conditional shares lapsed during the year**	**Nil-cost options or conditional shares held as at 30 June 2018**
Alan Hirzel	175,076	**60,294**	03 Nov 17	£10.20	**27,445**	**10,914**	**197,011**
Gavin Wood	75,045	**30,147**	03 Nov 17	£10.20	**—**	**—**	**105,192**
	250,121	**90,441**			**27,445**	**10,914**	**302,203**

1 These relate to the 2014 award and are included in the number of awards at 30 June 2017.

Annual Bonus Plan deferred awards

Deferred share awards made under the ABP which remain outstanding at 30 June 2018 are outlined below:

Executive Directors	Nil-cost options or conditional shares held as at 30 June 2017	**Nil-cost options or conditional shares awarded during the year ended 30 June 2018**	Award date	Market price per share at award	**Nil-cost options or conditional shares exercised during the year ended 30 June 2018**	**Nil-cost options or conditional shares held as at 30 June 2018**
Alan Hirzel	26,106	**16,079**	26 Oct 17	£10.48	**16,937**	**25,248**
Gavin Wood	—	**9,554**	26 Oct 17	£10.48	**—**	**9,554**
	26,106	**25,633**			**16,937**	**34,802**

Share Incentive Plan (SIP)

In order to encourage increased levels of long-term share ownership amongst the general UK employee population, the Company launched an HM Revenue and Customs approved SIP. To date, the SIP has provided eligible employees, including the Executive Directors, with the following benefits. In November 2018 we are replacing the SIP with a new all-employee global share plan and no future awards will be made under the existing plan.

- **Free share awards** – Annual awards have been made to UK-based staff, with a market value up to the HMRC limit, which in 2017/18 was £3,600 each (2016/17: £3,600). Awards take the form of a conditional entitlement to shares which are released after three years of continuous employment with the Company following the date of award.
- **Partnership and matching share awards** – All UK-based employees have been given the opportunity to invest up to the HMRC limit, which in 2017/18 was £1,800 per annum (2016/17: £1,800), to acquire new 'partnership' 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 'matching' share for each share acquired.
- **Dividend shares** – Shares conditionally and beneficially held in the SIP are entitled to earn dividends in the form of shares. Awards take the form of a conditional entitlement to shares which are released after three years of continuous employment with the Company following the date of award.

AUDITED INFORMATION continued

f) Directors' shareholdings and share interests continued

Share Incentive Plan (SIP) continued

The following table sets out the shares purchased and awarded under the SIP in respect of each of the Executive Directors during the year.

		Conditionally awarded shares[1]				Shares owned outright		
Executive Directors	Type of award	Number conditionally awarded as at 30 June 2017	Number conditionally awarded during the year	Number transferred to outright ownership during the year	**Number conditionally awarded as at 30 June 2018**	Number owned outright 30 June 2017	Number purchased/ acquired/ transferred to outright ownership during the year	**Number owned outright as at 30 June 2018**
Alan Hirzel	Free	1,933	345	(904)	**1,374**	589	904	**1,493**
	Partnership	—	—	—	**—**	1,274	185	**1,459**
	Matching	980	185	(452)	**713**	294	452	**746**
	Dividend[2]	165	58	(50)	**173**	19	50	**69**
		3,078	588	(1,406)	**2,260**	2,176	1,591	**3,767**
Gavin Wood	Free	428	345	—	**773**	—	—	**—**
	Partnership	—	—	—	**—**	227	185	**412**
	Matching	227	185	—	**412**	—	—	**—**
	Dividend[2]	6	13	—	**19**	—	—	**—**
		661	543	—	**1,204**	227	185	**412**

1 Conditionally awarded shares are dependent upon three years' continuous employment from the date of award.
2 Dividend shares held for less than three years are not available to transfer out of the SIP and, as a result, they are included in the conditionally awarded figure. Last year's report included all such shares within the 'owned outright' figure.

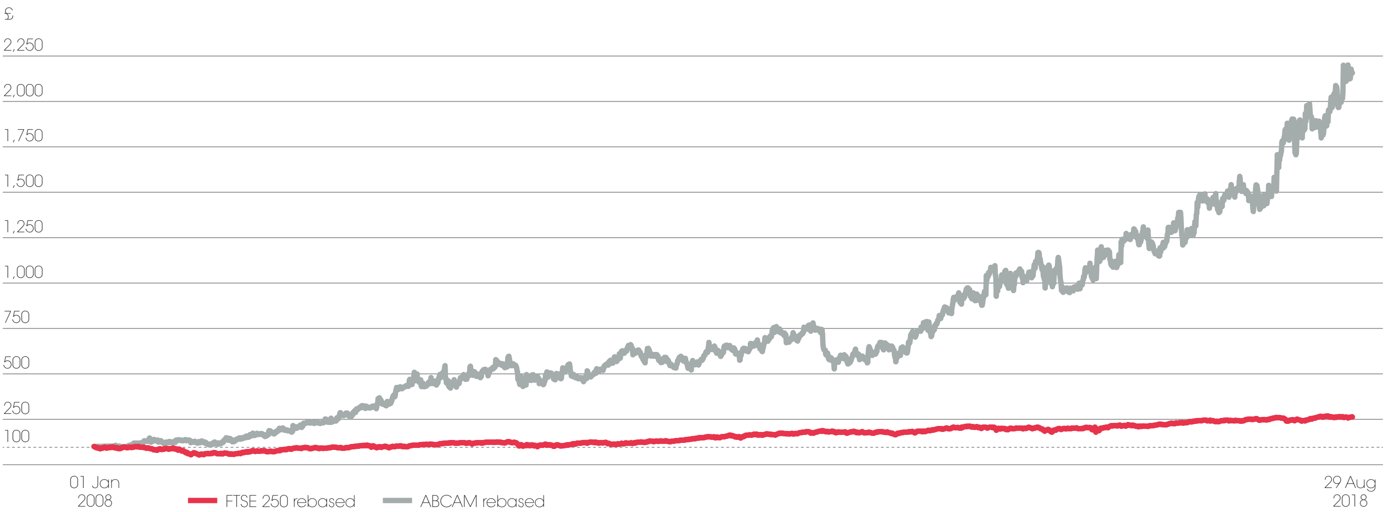
g) Non-executive appointments at other companies

Neither of the Executive Directors served as NEDs elsewhere during the year.

UNAUDITED INFORMATION

The Company's Total Shareholder Return (TSR) since 2008 compared to a broad equity market is shown in the graph below. The FTSE 250 index has been chosen as the comparator because Abcam would sit within this if it were listed on the Main Market of the London Stock Exchange. The Committee considers the relatively complex international nature of this index to be comparable to the Company's business operations where a large proportion of revenues are generated outside the UK.

TSR performance graph



UNAUDITED INFORMATION continued

CEO remuneration

The table below shows the historical total remuneration for the person undertaking the role of CEO:

Financial year		CEO single figure for total remuneration £000	Annual bonus awarded against maximum opportunity	Long-term incentive vesting rates against maximum opportunity
2017/18	Alan Hirzel	1,788	62.5%	90.44%
2016/17	Alan Hirzel	1,369	78.0%	71.6%
2015/16	Alan Hirzel	614	52.0%	n/a[1]
2014/15	Alan Hirzel	685	73.3%	n/a[1]
2013/14	Jonathan Milner	642	56.8%	—
2012/13	Jonathan Milner	821	71.2%	16.9%
2011/12	Jonathan Milner	739	60.0%	96.3%
2010/11	Jonathan Milner	805	62.7%	100.0%
2009/10	Jonathan Milner	716	100.0%	n/a

1 Vesting of long-term incentives is measured over a three-year performance period. For the 2014/15 and 2015/16 years, Alan Hirzel had not been employed by Abcam for more than three years, and therefore no long-term incentives had vested.

a) Percentage change in CEO remuneration

Abcam has an international workforce of around 1,100 employees in 11 countries. Due to the differing local pay levels across each of our overseas offices, the Committee considers the most meaningful comparator group to be the average remuneration of UK employees.

The following table shows the percentage change in remuneration between the years ended 30 June 2017 and 30 June 2018 for the CEO and this comparator group.

	Salary	Annual bonus[1]
CEO percentage change	2.5%	(18.0)%
Comparator group percentage change[2]	2.3%	(8.6)%

1 Annual bonus award for the financial year paid in October following the end of the year.
2 Comparator group is inclusive of promotions in the period.

b) Relative importance of spend on pay

The table below shows Abcam's dividend pay-out increased by 17.7% versus the total Group staff costs increase of 9.7% between the financial years ended 30 June 2017 and 30 June 2018.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m	% increase[3]
Dividends in respect of the financial year[1]	**24.6**	20.9	17.7%
Total Group staff costs[2]	**62.1**	56.6	9.7%

1 Dividends are the interim and final dividends paid in respect of the financial year ended 30 June 2017, and the interim dividend paid and the final dividend recommended in respect of the financial year ended 30 June 2018.
2 Total Group staff costs includes bonuses, employer social security, pension contributions, redundancies and share-based charges.
3 Increase in total Group staff costs due to an overall increase in headcount in addition to salary increases for existing employees during the year.

c) Implementation of Directors' Remuneration Policy in 2018/19

The following sections outline how the Remuneration Policy will be implemented in 2018/19.

Executive Directors' base salaries

The base salaries of the CEO and CFO were increased to £600,000 and £315,180 respectively with effect from 1 July 2018. The CEO's increase follows a review of our Directors' base salaries which showed that his previous salary of £492,000 had fallen considerably below the market for CEOs at comparable life sciences companies.

		Salary 2017/18	Change	**Salary as at 1 July 2018**
Alan Hirzel	CEO	492,000	22.0%	**600,000**
Gavin Wood	CFO	307,500	2.5%	**315,180**

UNAUDITED INFORMATION continued

c) Implementation of Directors' Remuneration Policy in 2018/19 continued

Annual Bonus Plan

The overall framework under the Annual Bonus Plan will remain as follows:

	Maximum % of salary	2017/18 measures	Weighting
Annual Bonus Plan	150%, of which 30% of any bonus is deferred into shares	Profit growth	50%
		Strategic targets	33%
		Personal objectives	17%

LTIP awards

In order to improve the alignment of the CEO's and CFO's shareholding opportunity with the potential for continued profitable growth in the business, the maximum possible annual LTIP award is increasing from the current 150% to 400% of salary.

Although this proposal changes the maximum potential award, the actual size of future annual LTIP awards will continue to be rigorously assessed before grant, and will vest subject to stretching targets. Given Abcam's trajectory, we are proposing that while the current EPS and strategic targets will be retained for part of the award, an additional revenue growth target should also be incorporated.

The table below outlines recent award levels under the LTIP and the proposed award levels and measures for 2018:

Job title	Recent typical award level	2018 award level	Proposed measures
CEO	125%	400%	125% of salary measured against reported EPS and strategic targets. 275% of salary measured against profitable revenue growth targets.
CFO	100%	200%	100% of salary measured against reported EPS and strategic targets. 100% of salary measured against profitable revenue growth targets.

The strategic targets for the ABP and LTIP awards are measurable, quantifiable and aligned with the Group's KPIs as set out on pages 28 to 31. These targets are considered appropriately stretching in the context of our business strategy.

The reported EPS award will be 6% growth per annum compound for threshold vesting and 10% per annum compound for maximum vesting. Profitable revenue growth targets will be measured over a three year vesting period in constant currency. Vesting will be at 40% if profitable revenue growth is 6% per annum compound, increasing on a straight line basis if growth is 10% per annum or greater. Revenue will be adjusted for new shares issued on a weighted basis. The Remuneration Committee will, at its discretion, make an adjustment if it judges that lower quality revenues have been acquired during the period.

Annual incentive, deferred bonus and LTIP awards

The strategic targets for the forthcoming LTIP award will be based on:

- recombinant antibody revenue growth;
- immunoassay revenue; and
- customer engagement: NPS.

The ABP targets and the strategic targets for the LTIP will not be disclosed in advance as they are deemed by the Committee to be commercially sensitive. Appropriate retrospective disclosure of targets will be provided when these are no longer considered commercially sensitive.

The Committee introduced a performance cross-underpin to the ABP in 2015. At the Committee's discretion, vesting may be restricted if any of the three performance elements (financial, strategic or personal) shows serious underperformance, or if the Committee determines that there has been underperformance on the part of an Executive Director in their role.

Pensions and Flexible Benefits

The Executive Directors' flexible benefits allowance was increased by 1% to 13% effective April 2018 in line with the increase for all employees in response to the changes under UK auto-enrolment legislation to ensure the minimum employee contribution remained in line with this legislation.

Non-Executive Directors

During 2016 the Company put in place fee arrangements for all NEDs where a portion of their fees would be delivered as a fixed number of fully paid ordinary shares and this structure will continue in 2018/19 with a re-calibrated notional share price. There will be no increase in base fees for any of the Non-Executive Directors effective 1 July 2018, however the Company has introduced a supplemental allowance of £12,500 per annum for Sue Harris and Louise Patten for their roles as Chairman of the Audit and Risk Committee and Chairman of the Remuneration Committee, respectively.

UNAUDITED INFORMATION continued

d) Remuneration Committee

The Committee advises the Board on overall Remuneration Policy on behalf of the Board, and with the benefit of advice from external consultants and the SVP, Human Resources, it also determines the remuneration of the Executive Directors and proposes a fee for the Chairman of the Board of Directors (with the Chairman not being present for any discussions on his fee). The remuneration of the NEDs is determined by the Chairman and the Executive Directors.

The Committee formulates and applies the policy with consideration to the prevailing economic climate in the major economies in which the Group operates. It also observes the spirit of the Group's core values, including responsible leadership in the external and internal social environment. Consequently, the Committee closely considers the Company's performance in building both long-term value and a secure future for all stakeholders.

The Committee currently comprises four NEDs, each of whom the Company deems to be independent: Louise Patten (Chairman), Sue Harris, Mara Aspinall and Peter Allen.

The Chief Executive Officer, Company Secretary, and SVP, Human Resources attend the Committee meetings by invitation and assist the Committee in the execution of its objectives, except when issues relating to their own compensation are discussed.

No Director is involved in deciding his or her own remuneration.

While it is the Committee's responsibility to exercise independent judgement, the Committee does request advice from management and professional advisors, so as to be informed given the internal and external environment.

No member of the Committee has any personal financial interest, other than as a shareholder, in the matters to be decided by the Committee. The four independent members of the Committee have no conflicts of interest arising from cross-directorships. Members of the Committee have no day-to-day involvement in the running of the Company. The Committee met six times during the year. Details of attendance can be found in the Corporate Governance report (see page 54).

External advisors to the Committee

The following table sets out the details of external advisors who provided material assistance to the Committee during the year in its consideration of matters related to Directors' remuneration:

Advisors	Appointment and selection	Other services provided to the Company	Fees for Committee assistance
Deloitte LLP (Deloitte)	Appointed to provide ongoing advice to the Committee on various matters including Directors' remuneration reporting regulations, shareholder communication and other governance matters.	Advice on employee reward.	£31,020

Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that advice received from Deloitte during the year was objective and independent.

Statement of voting at general meeting

The table below shows the advisory vote on the 2016/17 Remuneration Report at the 2017 AGM and the advisory vote on the Directors' Remuneration Policy at the 2015 AGM.

	Votes for		Votes against			
	Number	%	Number	%	Votes total	Votes withheld
Remuneration Report	147,880,501	99.5	669,392	0.5	148,549,893	1,797,671
2015 Remuneration Policy	140,865,445	91.5	13,160,891	8.5	154,026,336	691,369

Approval

Approved by the Board and signed on its behalf by:

Louise Patten

Louise Patten
Remuneration Committee Chairman
7 September 2018

Directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2018.

Pages 1 to 45 inclusive (together with sections of the Annual Report incorporated by reference) consist of a strategic report and a Directors' report that have been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

Additional information incorporated by reference into this Directors' report, including disclosures required under the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code 2016 (Code), can be located as follows:

Disclosure	Location
Likely future developments	Throughout the Strategic report on pages 1 to 45
Research and development activities	Our business model on pages 14 to 15 and Financial review on page 43
Financial instruments and risk management	Note 23 to the financial statements on pages 130 to 131
Employee involvement	Corporate social responsibility on pages 17 to 18

Dividends

The Directors recommend a final dividend of 8.580 pence (2016/17: 7.355 pence) per ordinary share to be paid on 30 November 2018 to shareholders on the register on 9 November 2018. The associated ex-dividend date will be 8 November 2018. Together with the interim dividend of 3.420 pence per share paid on 12 April 2018, this brings the total dividend for the financial year ended 30 June 2018 to 12.000 pence per share (2016/17: 10.180 pence).

Control and share 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 note 21 to the financial statements. 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.

Other than the one-year lock-up agreement entered into by Jonathan Milner (Abcam's Deputy Chairman and Founder) on 21 September 2017 on behalf of himself and his connected persons, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between the holders of the Company's shares that may result in a restriction on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Details of employee share schemes are set out in note 24 to the financial statements. Shares held by the Abcam Employee Share Benefit Trust abstain from voting.

Disabled employees

Abcam is an equal opportunities employer and ensures that applications for employment from people with disabilities and other under-represented groups are given full and fair consideration. Such individuals are given the same training, development and job opportunities as other employees. Every effort is also made to retain and support employees who have a disability during their employment, including flexible working to assist their re-entry into the workplace and making alternative suitable provisions.

Agreements affected by change of control

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover.

There are no agreements between the Company and its Directors providing for compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid. However, members of the Executive Leadership Team, excluding the Executive Directors, are entitled to an agreed sum equal to six months' basic salary in the event of a dismissal for any reason other than misconduct (including constructive dismissal by reason of a fundamental breach of contract by Abcam or a successor employer) within twelve months following a change of control, provided that the individual enters into a settlement agreement and agrees to certain obligations regarding confidentiality, intellectual property and restrictive covenants. The agreed sum is payable in addition to any pay in lieu of notice, but includes any entitlement to statutory redundancy pay.

Major interests in shares

Details of the interests in voting rights in the Company's shares notified to the Company in accordance with Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules (excluding Directors' interests, which are set out on page 89 are set out below:

	At 30 June 2018	
	Number of ordinary shares held	Percentage of issued share capital
T. Rowe Price Group	20,782,730	10.14%
Baillie Gifford & Co Ltd	10,670,780	5.20%
Wasatch Advisors Inc	9,690,116	4.73%
Standard Life Aberdeen	9,649,682	4.71%
OppenheimerFunds Inc	7,636,201	3.72%
Harding Loevner LLC	6,932,514	3.38%

As at 6 September 2018 no changes in these shareholdings have been notified.

Purchase of own shares
At the end of the year, the Directors had authority, under a resolution passed at the Company's AGM on 14 November 2017, to purchase through the market 20,461,627 of the Company's ordinary shares, subject to the conditions set out in that resolution. No shares were purchased under this authority during the year under review.

Directors
Brief biographical descriptions of the current Directors of the Company, all of whom were in office during the year and up to the date of signing the financial statements (other than Peter Allen, who was appointed as non-executive Chairman on 18 June 2018) are set out on pages 52 and 53. The beneficial and non-beneficial interests of the Directors in the Company's ordinary shares of 0.2 pence are disclosed in the Remuneration report.

The powers of the Directors are determined by UK legislation and the Company's Articles of Association, together with any specific authorities that may be given to the Directors by shareholders from time to time (for example the authority to allot or purchase shares in the Company).

Re-election of Directors
The Chairman has determined that each individual demonstrates commitment to his or her role and displays effective performance; he is therefore recommending the re-election of all Directors seeking to remain on the Board. Abcam has elected to comply with Code Provision B.7.1 and therefore all Directors shall retire and stand for re-election at the AGM to be held on 6 November 2018.

Articles of Association
The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. The Articles of Association may be amended only by special resolution at a general meeting of shareholders.

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

Directors' and officers' insurance
The Company has purchased and maintained throughout the financial year directors' and officers' liability insurance to cover any claim for wrongful acts in connection with their positions. The insurance provided does not extend to claims arising from fraud or dishonesty.

Going concern
The Group meets its day-to-day working capital requirements from the cash surpluses generated as a result of normal trading. In considering going concern, the Directors have considered the Group's principal risks and uncertainties set out on pages 32 to 38 and have reviewed the Group's forecasts and projections, taking account of reasonably possible changes in trading performance. These show that the Group should be able to operate within the limits of its available resources.

Annual General Meeting
The AGM will be held at 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK on 6 November 2018 at 2.00pm. A presentation will be made at this meeting outlining the recent developments in the business. All voting at the meeting will be conducted by show of hands where every shareholder present in person or by proxy will have one vote, unless a poll is requested by a shareholder for which each shareholder present or by proxy will have one vote for each share of which they are the owner.

The Group will publish the results of the votes on its website after the AGM. Shareholders are invited to submit written questions in advance of the meeting. Questions should be sent to the Company Secretary, Abcam plc, 330 Cambridge Science Park, Milton Road, Cambridge CB4 0FL, UK.

Details of the resolutions to be proposed at the meeting are set out in the Circular and Notice of AGM 2018, which will be made available to all shareholders, together with a proxy card.

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

United Kingdom (UK) company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with UK Generally Accepted Accounting Practice (Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework').

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the EU and applicable UK Accounting Standards and applicable law have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements, respectively
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group 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 may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the biographies on pages 52 and 53, confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company
- the Directors' report and the Strategic report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

Statement on corporate governance

The UK Corporate Governance Code (Code) sets out the principles of good practice in relation to corporate governance to be followed by main market-listed companies. Although as an AIM-listed company we are not required to comply with the Code, the Board continues to believe that it is appropriate for Abcam to comply with the Code in so far as it relates to companies which are outside the FTSE 350. For the year ended 30 June 2018, we have complied with all of the principles and provisions of the 2016 edition of the Code as applicable to companies outside the FTSE 350, except as follows:

- **Annual evaluation of Board and Committees.** As explained on page 61, given the appointment of our new Chairman, Peter Allen, in June 2018, the Board decided to postpone the annual evaluation of the performance of the Board and its Committees until 2018/19. Although this is not in compliance with Main Principle B.6 of the Code, the Board believed it was important for our new Chairman to see how the Board and Committees perform in practice before leading the evaluation process.
- **Chairmanship of Remuneration Committee.** Louise Patten continued as Chairman of the Remuneration Committee when she took on the role of interim Chairman for the period following Murray Hennessy's departure on 14 November 2017 until the appointment of Peter Allen on 18 June 2018. Although this was not in full compliance with Code Provision D.2.1, the Board considered that Louise Patten remained independent throughout that time as she was independent on her appointment as interim Chairman, and only held the position for a short period of time during the search for a new Chairman. The Board also wished to ensure continuity in the leadership of the Remuneration Committee whilst it was undertaking Abcam's triennial strategic review of remuneration. Mara Aspinall was appointed Senior Independent Director during this interim period to facilitate good corporate governance and was a member of the Remuneration Committee throughout the year. The Company has fully complied with Code Provision D.2.1 since 18 June 2018.
- **Membership of the Audit and Risk Committee.** Louise Patten and Sue Harris were members of the Audit and Risk Committee throughout the year and were joined on the Committee by our new Chairman on his appointment on 18 June 2018. Although Louise Patten was interim Chairman from 14 November 2017 to 18 June 2018, for the reasons stated above, the Board considers that Louise Patten nevertheless remained independent during that period of time. Consequently, the Board considers that Abcam complied with the requirement in Code Provision C.3.1 to have a minimum of two independent Non-Executive Directors on the Audit and Risk Committee throughout the year.
- **Clawback on annual bonus cash component.** Code Provision D.1.1 has not been implemented in full as there is no clawback on the cash component of the annual bonus. There is, however, clawback on the deferred share component of the annual bonus. More details are provided on page 77.
- **Shareholder approval of long-term incentive schemes.** Code Provision D.2.4 relating to the approval of long-term incentive schemes by shareholders has not been implemented. However the provisions of our long term incentive plan are in line with Schedule A of the Code.

Provision of information to the auditor

Each Director in office at the date the Directors' report is approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group and the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as Director in order to make himself/herself aware of any relevant audit information and to establish that the Group and the Company's auditor is aware of that information.

PricewaterhouseCoopers 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.

On behalf of the Board

Peter Allen
Chairman
7 September 2018

Suzanne Smith
Chief Legal Officer and Company Secretary
7 September 2018

Financial statements

Our independently audited statutory accounts provide in-depth and insightful disclosure on the financial performance and position of the Group.

Financial statements

Independent auditor's report
to the members of Abcam plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Abcam plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the 'Annual Report'), which comprise: the consolidated and Company balance sheets as at 30 June 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• Overall Group materiality: £3.5m (2017: £2.6m), based on 5% of profit before tax. • Overall Company materiality: £3.3m (2017: £2.4m), based on 5% of profit before tax.
Audit scope	• We conducted audits of the complete financial information of Abcam plc, Abcam Inc and Abcam Trading (Shanghai) Co., Limited. • We performed specified procedures over certain account balances and transaction classes at other Group companies, including another Chinese operation, two in the US and another in Japan. • With the exception of the audit of Abcam Trading (Shanghai) Co., Limited and certain specified procedures performed over another Chinese operation, which were performed by a component auditor, the Group engagement team performed all of the audit procedures. • Taken together, the Group companies, as well as the consolidation adjustments, over which we performed our audit procedures accounted for 77% of the absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 85% of revenue.
Key audit matters	• Inventory provisioning (Group and Company). • Costing of inventory manufactured in house and internally developed technology included within intangible assets (Group and Company). • Classification of system and process improvement costs (Group and Company). • Valuation of intangible assets acquired from Roche (Group and Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning – Group and Company The Group and the Company had inventory of £29.6m and £21.5m respectively as at 30 June 2018. Inventory principally comprises antibodies and reagents that bear a natural risk of obsolescence. Furthermore, owing to the low incremental cost of in-house production of antibodies, the Group and the Company often produce surplus inventories that are at risk of expiring before a sale can be achieved (see note 4 to the financial statements and page 67 of the Audit and Risk Committee report). For new products, the Directors apply a fixed percentage provision against the inventory levels held at the year end, unless they believe that there are specific reasons that no provision is required. For all other products, the Directors calculate a specific provision for obsolescence by comparing inventories on hand at year end with forecast sales volumes on a product-by-product basis, providing fully against inventories regarded as surplus. There is therefore estimation in the valuation of the inventory provision owing to the estimation uncertainty that exists around future sales forecasts.	We understood and assessed the methodology utilised to estimate the Group's and the Company's inventory provisions and checked that the calculation of the provision was mathematically accurate. We found no material exceptions in our testing. For all material product classes, we assessed the reasonableness of the Directors' future sales forecasts by considering the accuracy of the prior year forecast. We found no material exceptions in our testing. We considered both the risk of under and overstatement of the inventory provisions by: • performing sensitivity analysis on the forecast future sales; and • ascertaining the change that would be required to materially affect the determined provision. We assessed that the likelihood of such a change was low.
Costing of inventory manufactured in house and internally developed technology included within intangible assets – Group and Company The Group and the Company capitalise costs relating to the development of internally developed technology which are used to generate antibodies and kits that the Group and the Company sells. During the year, £4.3m was capitalised by the Group and £4.1m was capitalised by the Company as part of the total additions to internally developed technology (see note 4 to the financial statements and page 67 of the Audit and Risk Committee report). The costs incurred both in producing internally developed technology and in harvesting the antibodies (held in inventory) include a labour and overhead allocation. This allocation is capitalised into intangible assets and inventory on the basis of the proportion of batches that pass internal quality tests. No allocation is capitalised for the batches that do not pass the tests, and the labour and overhead element is instead written off in the income statement. The nature of the manufacturing process is such that there are fluctuations in the proportion of batches which pass quality tests, meaning that the total labour and overhead absorbed into intangible assets and inventory varies. The relevant calculations are also performed manually, necessitating a substantive approach to testing that appropriate amounts of labour and overhead cost have been capitalised.	We evaluated whether appropriate costs had been capitalised as inventory and intangible assets, including checking, on a sample basis, the labour costs capitalised. For labour costs, we agreed, on a sample basis, the timesheet records used to allocate labour costs to the underlying records. For inventory manufactured in house and internally developed technology, we agreed, on a sample basis, the quality test results to underlying records. We also checked the mathematical accuracy of the calculations (taking into account the proportion of batches passing quality tests) and that only reasonable categories of overheads were absorbed into inventory and capitalised as intangible assets. We found no material exceptions in our testing.

Report on the audit of the financial statements continued

Key audit matter	How our audit addressed the key audit matter
Classification of system and process improvement costs – Group and Company During the year the Group and the Company capitalised costs of £17.5m and £17.5m respectively in relation to the system and process improvement project. Further amounts in relation to systems and process improvements have been expensed to the consolidated income statement and, to the extent this is incremental, included in the reconciliation of the Group's adjusted performance measures (see note 7 to the financial statements and page 67 of the Audit and Risk Committee report). The Directors have assessed whether the costs incurred in relation to the Group's and the Company's system and process improvement project meet the criteria for capitalisation and, if not, whether the costs were incremental to the ongoing costs of the Group. The Group's adjusted profit before tax, which is one of the Group's KPIs and is discussed in the 'financial review' section, is directly impacted by the amount of costs capitalised and the amounts included in the reconciliation of the Group's adjusted performance measures. We focused on whether the costs capitalised met the criteria for capitalisation and whether, for those costs classified as system and process improvement costs within the reconciliation of the Group's adjusted performance measures, they were indeed incremental.	We vouched a sample of the costs capitalised in relation to the system and improvements project to invoices from suppliers. We agreed a sample of the internal staff and contractor costs capitalised to supporting calculations and time records. In both cases, we considered whether the nature of the costs met the criteria for the costs to be capitalised. For costs expensed to the consolidated income statement and included within the Group's reconciliation of adjusted performance measures we considered whether the Directors' policy for the treatment of such costs was reasonable and, on a sample basis, assessed whether the costs included in the reconciliation were in line with the Directors' policy. We found no material exceptions in our testing.
Valuation of intangible assets acquired from Roche – Group and Company During the year the Group and Company obtained the exclusive rights to the product portfolio of Spring Bioscience Corporation ('Spring'), in the research use only (RUO) field for consideration of $17.6m (£13.0m) (see notes 4 and 26 to the financial statements and page 67 of the Audit and Risk Committee report). The Directors performed a purchase price allocation exercise that involved fair valuing the assets acquired, including separately identifiable intangible assets, namely licence agreements and customer and distributor relationships. The valuation of the intangible assets involved significant estimation and the Directors used external valuation experts to assist in their calculation. In order to test the valuation of intangible assets, we focused on the reasonableness of the assumptions used as part of the valuation exercise.	With the assistance of our internal valuation specialists, we assessed the assumptions used in determining the fair value of the acquired intangibles, being the licence agreements and customer and distributor relationships. In particular: • we recalculated the discount rate used by the external valuation specialists, to assess whether the rate used was appropriate; • we assessed the reasonableness of the cash flows that are forecast to arise from the use of the technology by comparing them to cash flows and growth rates which have been seen historically for similar products launched by the Group; and • we assessed the completeness of identified intangible assets. We considered the approach to valuing intangible assets to be appropriate, and the assumptions used therein to be reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 17 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Abcam plc, Abcam Inc, and Abcam Trading (Shanghai) Co., Limited reporting units, which were individually financially significant and, together with consolidation adjustments accounted for 83% of the Group's revenue and 77% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at four further reporting units, two based in the US, one in the China and another in Japan.

The Group engagement team performed all audit procedures, with the exception of the audit of Abcam Trading (Shanghai) Co., Limited and certain specified procedures performed over another Chinese operation which were performed by a component auditor in China. Our involvement in the work of the component auditor in China included regular communication, both before and during the performance of the procedures. In addition, the senior statutory auditor met with local management and the component auditor in China and conducted a review of the working papers. Taken together, the group companies as well as the consolidation adjustments, over which we performed our audit procedures accounted for 77% of the absolute profit before tax and 85% of revenue.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall Group materiality	£3.5m (2017: £2.6m).	£3.3m (2017: £2.4m).
How we determined it	5% of profit before tax.	5% of profit before tax restricted so that it does not exceed group materiality.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.0m and £3.3m.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.2m (Group audit) (2017: £0.1m) and £0.2m (Company audit) (2017: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Report on the audit of the financial statements continued

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

As a result of the Directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the 'Code'), we are required to report to you if we have anything material to add or draw attention to regarding:

- The Directors' confirmation on page 33 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 39 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions

As a result of the Directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the Directors, on page 97, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.

- The section of the Annual Report on pages 64 to 68 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in respect of this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 96, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or

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

- certain disclosures of directors' remuneration specified by law are not made; or

- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Going concern

The Directors have requested that we review the statement on page 96 in relation to going concern as if the Company were a premium listed company. We have nothing to report having performed our review.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

The Directors have requested that we perform a review of the Directors' statements on pages 33 and 39 that they have carried out a robust assessment of the principal risks facing the Group and in relation to the longer-term viability of the Group, as if the company were a premium listed company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. We have nothing to report having performed this review.

Other Code provisions

The Directors have prepared a corporate governance statement and requested that we review it as though the Company were a premium listed company. We have nothing to report in respect of the requirement for the auditors of premium listed companies to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The Directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Simon Ormiston

Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
7 September 2018

Consolidated income statement
For the year ended 30 June 2018

	Note	Year ended 30 June 2018 Adjusted* £m	Year ended 30 June 2018 Adjusting items* £m	Year ended 30 June 2018 Total £m	Year ended 30 June 2017 Adjusted* £m	Year ended 30 June 2017 Adjusting items* £m	Year ended 30 June 2017 Total £m
Revenue	5	**233.2**	**—**	**233.2**	217.1	—	217.1
Cost of sales		**(70.2)**	**—**	**(70.2)**	(65.0)	—	(65.0)
Gross profit		**163.0**	**—**	**163.0**	152.1	—	152.1
Selling, general and administrative expenses	6	**(69.8)**	**(8.4)**	**(78.2)**	(73.5)	(4.9)	(78.4)
Research and development expenses	6	**(11.9)**	**(4.1)**	**(16.0)**	(14.2)	(4.4)	(18.6)
Operating profit		**81.3**	**(12.5)**	**68.8**	64.4	(9.3)	55.1
Finance income	9	**0.3**	**—**	**0.3**	0.2	—	0.2
Finance costs	9	**—**	**—**	**—**	—	(3.4)	(3.4)
Profit before tax		**81.6**	**(12.5)**	**69.1**	64.6	(12.7)	51.9
Tax	10	**(14.9)**	**8.0**	**(6.9)**	(12.6)	3.1	(9.5)
Profit for the year attributable to the equity shareholders of the parent		**66.7**	**(4.5)**	**62.2**	52.0	(9.6)	42.4
Earnings per share							
Basic earnings per share	11	**32.7p**		**30.5p**	25.7p		20.9p
Diluted earnings per share	11	**32.4p**		**30.2p**	25.5p		20.7p

* Adjusted figures exclude systems and process improvement costs, costs associated with the new Group headquarters, amortisation of acquired intangibles, acquisition costs, the tax effect of adjusting items, significant tax adjustments in respect of new US tax legislation and, where applicable, contingent consideration fair value adjustments together with the related unwinding of the discount on these. Such excluded items are described as 'adjusting items'. Further information on these items is shown in note 7.

Consolidated statement of comprehensive income
For the year ended 30 June 2018

	Notes	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit for the year attributable to the equity shareholders of the parent		**62.2**	42.4
Items that may be reclassified to the income statement in subsequent years			
Movement on cash flow hedges	23	**0.2**	8.5
Movement on net investment hedge	23	**—**	(0.9)
Exchange differences on translation of foreign operations		**(1.8)**	5.2
Movement in fair value of investment		**(0.1)**	0.2
Tax relating to components of other comprehensive income		**—**	(1.6)
Other comprehensive (loss)/income for the year		**(1.7)**	11.4
Total comprehensive income for the year		**60.5**	53.8

Consolidated balance sheet
As at 30 June 2018

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Goodwill	12	**114.2**	115.5
Intangible assets	13	**106.3**	73.6
Property, plant and equipment	14	**25.1**	22.3
Investment		**0.9**	—
Deferred tax asset	15	**8.4**	6.6
Derivative financial instruments	18	**—**	0.2
		254.9	218.2
Current assets			
Inventories	16	**29.6**	21.8
Trade and other receivables	17	**39.3**	34.6
Investment		**—**	1.0
Derivative financial instruments	18	**0.8**	1.3
Cash and cash equivalents		**90.2**	84.8
		159.9	143.5
Total assets		**414.8**	361.7
Current liabilities			
Trade and other payables	19	**(45.8)**	(29.3)
Derivative financial instruments	18	**(0.5)**	(2.1)
Current tax liabilities		**(2.7)**	(1.2)
		(49.0)	(32.6)
Net current assets		**110.9**	110.9
Non-current liabilities			
Deferred tax liability	15	**(14.0)**	(21.9)
Derivative financial instruments	18	**(0.1)**	(0.1)
		(14.1)	(22.0)
Total liabilities		**(63.1)**	(54.6)
Net assets		**351.7**	307.1
Equity			
Share capital	21	**0.4**	0.4
Share premium account		**25.6**	23.9
Merger reserve	21	**68.1**	68.1
Own shares	21	**(3.2)**	(3.6)
Translation reserve	21	**26.3**	28.1
Hedging reserve	21	**0.1**	(0.1)
Retained earnings		**234.4**	190.3
Total equity attributable to the equity shareholders of the parent		**351.7**	307.1

The consolidated financial statements were approved by the Board of Directors on 7 September 2018 and signed on its behalf by:

Gavin Wood
Director

Consolidated statement of changes in equity
For the year ended 30 June 2018

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 July 2016	0.4	21.5	61.6	(3.2)	23.9	(7.1)	164.1	261.2
Profit for the year	—	—	—	—	—	—	42.4	42.4
Other comprehensive income	—	—	—	—	4.2	7.0	0.2	11.4
Total comprehensive income	—	—	—	—	4.2	7.0	42.6	53.8
Issue of ordinary shares	—	2.4	6.5	(0.4)	—	—	(0.5)	8.0
Share-based payments inclusive of deferred tax	—	—	—	—	—	—	3.3	3.3
Purchase of own shares	—	—	—	—	—	—	(0.1)	(0.1)
Equity dividends	—	—	—	—	—	—	(19.1)	(19.1)
Balance as at 30 June 2017	0.4	23.9	68.1	(3.6)	28.1	(0.1)	190.3	307.1
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**62.2**	**62.2**
Other comprehensive income	**—**	**—**	**—**	**—**	**(1.8)**	**0.2**	**(0.1)**	**(1.7)**
Total comprehensive income	**—**	**—**	**—**	**—**	**(1.8)**	**0.2**	**62.1**	**60.5**
Issue of ordinary shares	**—**	**1.7**	**—**	**0.4**	**—**	**—**	**(0.5)**	**1.6**
Share-based payments inclusive of deferred tax	**—**	**—**	**—**	**—**	**—**	**—**	**4.7**	**4.7**
Purchase of own shares	**—**	**—**	**—**	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Equity dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(22.1)**	**(22.1)**
Balance as at 30 June 2018	**0.4**	**25.6**	**68.1**	**(3.2)**	**26.3**	**0.1**	**234.4**	**351.7**

Consolidated cash flow statement
For the year ended 30 June 2018

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating profit		**68.8**	55.1
Adjustments for:			
Depreciation of property, plant and equipment	14	**4.5**	5.6
Amortisation of intangible assets	13	**8.4**	9.8
Derivative financial instruments at fair value through profit or loss	6	**(0.7)**	(1.2)
Loss on disposal of property, plant and equipment		**0.2**	—
Research and development expenditure credit	6	**(3.1)**	(0.7)
Share-based payments charge	8	**3.4**	3.9
Contingent consideration change in fair value		**—**	(0.9)
Unrealised currency translation (gains)/losses		**(0.5)**	0.1
Operating cash flows before movements in working capital		**81.0**	71.7
Increase in inventories		**(5.8)**	(2.1)
Increase in receivables		**(5.7)**	(0.8)
Increase in payables		**3.4**	7.7
Cash generated from operations		**72.9**	76.5
Net income taxes paid		**(9.6)**	(10.1)
Net cash inflow from operating activities	*	**63.3**	66.4
Investing activities			
Investment income		**0.3**	0.2
Purchase of property, plant and equipment	*	**(16.4)**	(10.1)
Purchase of intangible assets	*	**(21.0)**	(8.9)
Transfer of cash from/(to) escrow in respect of future capital expenditure	*	**0.9**	(6.1)
Net cash outflow arising from acquisitions	26	**(1.5)**	(9.8)
Sale of term deposits		**—**	1.8
Net cash outflow from investing activities		**(37.7)**	(32.9)
Financing activities			
Dividends paid	22	**(22.1)**	(19.1)
Proceeds on issue of shares		**1.6**	1.4
Purchase of own shares		**(0.1)**	(0.1)
Net cash outflow from financing activities		**(20.6)**	(17.8)
Increase in cash and cash equivalents		**5.0**	15.7
Cash and cash equivalents at beginning of year		**84.8**	68.9
Effect of foreign exchange rates		**0.4**	0.2
Cash and cash equivalents at end of year		**90.2**	84.8
Free Cash Flow	(i)	**26.8**	41.3

(i) Free Cash Flow comprises those items marked * and comprises net cash generated from operating activities less net capital expenditure and transfer of cash from/(to) escrow in respect of future capital expenditure.

1. Presentation of the financial statements

a) General information

Abcam plc (the Company) is a public limited company, whose shares are listed on AIM of the London Stock Exchange, which is incorporated and domiciled in the UK and registered in England under the Companies Act 2006.

b) Basis of preparation and consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been presented in Sterling, the functional currency of the Company, and on the historical cost basis, except for the revaluation of certain financial instruments. All amounts have been rounded to the nearest £0.1m unless otherwise indicated.

The consolidated financial statements incorporate the financial statements of the Company and entities under its control. Control is achieved when the Company has power to control the financial and operating policies of an entity either directly or indirectly and the ability to use that power to affect the returns it receives from its involvement with the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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, equity, income and expenses are eliminated on consolidation.

c) Adjusted performance measures

Adjusted performance measures are used by the Directors and management to monitor business performance internally and exclude certain cash and non-cash items which they believe are not reflective of the normal course of business of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Adjusted performance measures may not be directly comparable with other similarly titled measures used by other companies. A detailed reconciliation between reported and adjusted measures is presented in note 7.

d) Going concern

The Group meets its day-to-day working capital requirements from the cash surpluses generated as a result of normal trading. In considering going concern, the Directors have reviewed the Group's forecasts and projections, taking account of reasonably possible changes in trading performance. These show that the Group should be able to operate within the limits of its available resources.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and at least one year from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing its consolidated financial statements.

2. New accounting standards, amendments and interpretations

There were no new or revised standards, amendments or interpretations which had a financial or disclosure impact on the Group during the year.

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

- IFRS 9, 'Financial instruments' which replaces IAS 39 'Financial Instruments Recognition and Measurement' (effective from the Group's 2018/19 financial year);

  IFRS 9 is applicable to financial assets and financial liabilities, and covers classification, measurement and derecognition. On adoption of IFRS 9, the main areas of change that are relevant for the Group are:

  - requirement to use an expected credit loss method for impairment calculation; and
  - broadening of hedge accounting application with more focus on risk management alignment. These areas are not expected to have a significant impact on the Group's net results or net assets.

  The Group will apply the standard prospectively with no retrospective adjustments commencing 1 July 2018. A review of expected impairment losses on the current receivable ledger under the new methodology indicates insignificant changes to the amounts currently provided.

- IFRS 15, 'Revenue from contracts with customers' (effective from the Group's 2018/19 financial year);

  IFRS 15 supersedes IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied in respect of the transfer of goods or services at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard also requires enhanced disclosures.

  The majority of the Group's revenue is catalogue product related and accordingly, the adoption of IFRS 15 is not expected to have an impact on this.

  For the Group's other revenue streams, a review has been performed on a sample of custom service, licence and royalty agreements and no significant change to the timing of revenue recognition has been identified at the transition date.

- IFRS 16, 'Leases' (effective from the Group's 2019/20 financial year).

  IFRS 16 supersedes IAS 17 'Leases' and has been endorsed by the European Union. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) or the underlying asset value is low. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group anticipates that the adoption of IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before tax, total assets and total liabilities lines.

  The Group has conducted a review of its lease contracts and based on the operating leases in place at 30 June 2018, including judgements over expected extension options and lease terms for the new Group HQ property, expects a decrease in net assets on transition of up to £5m as at the date of transition, 30 June 2019. In the years after transition, there would also be an impact on the Group's income statement when the fixed rental expense is replaced by a depreciation charge and an interest expense. This will lead to an increase in operating profit as a result of removing the operating lease expense net of the new leased asset depreciation charge. The overall impact to the Group's reported profit after tax is expected to be immaterial with a small net decrease in the initial years after transition which will reverse in later years as the leases in existence at transition come closer to ending.

  The final transition impact may differ from the above guidance depending on business decisions made during the period to 30 June 2019.

  Other new standards and interpretations which are in issue but not yet effective are not expected to have a material impact on the consolidated financial statements.

3. Principal accounting policies

Revenue and income recognition

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

Revenue from sales of goods is recognised upon delivery to the customer or the point at which the customer takes control of the goods if this is sooner.

Custom service revenue is recognised proportionately when the outcome of each discrete stage of the contract can be estimated reliably and is based on the stage of completion of the contract activity per agreed milestones set out in the contract. Where the outcome cannot be estimated reliably, revenue is recognised to the extent of costs incurred where it is probable these will be recovered. In instances where it is probable that the costs will be in excess of the contract revenue, the expected loss is recognised as an expense immediately.

Licence fee income is recognised on delivery of the licensed technology where the Group's continued performance or future research and development services are not required. Royalty revenue is recognised on an accruals basis based on the contractual terms and the substance of the agreements with the counterparty, provided that the amount can be reliably measured and it is probable that the economic benefit will flow to the Group.

Leasing

To the extent that the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, leases are classified as finance leases. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the fixed 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

Foreign currency transactions are booked at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

The results of overseas subsidiaries are translated into Sterling using the average exchange rates during the year. Assets and liabilities are translated at the rates ruling at the balance sheet date. Goodwill arising on the acquisition of a foreign operation is treated as an asset of that foreign operation and as such is translated at the relevant foreign exchange rate at the balance sheet date. Exchange differences arising on this translation are recognised in the translation reserve.

Other exchange differences are recognised in the income statement in the period in which they arise except for where items are designated as hedging instruments or where there is a net investment hedge.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group has no further obligations once the contributions have been paid.

Taxation

Current tax payable is based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes certain items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. Where the current tax deduction in respect of share option exercises exceeds the share option accounting charge for the period, the excess is recorded in equity rather than the income statement.

The benefit of UK research and development is recognised under the UK's Research and Development Expenditure Credit (RDEC) scheme. The benefit is recorded as income included in profit before tax, netted against research and development expenses, as the RDEC is of the nature of a government grant.

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 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. The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date 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 other comprehensive income or reserves, in which case the deferred tax is also dealt with in other comprehensive income or reserves respectively.

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

3. Principal accounting policies continued

Business combinations

Business combinations are accounted for using the acquisition method. On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be reliably measured in which case the value is subsumed into goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Acquisition-related costs are expensed to the income statement in the period they are incurred.

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair value of the net assets acquired. Where the fair value of the consideration is less than the fair value of the acquired net assets, the deficit is recognised immediately in the income statement as a bargain purchase.

Goodwill is not amortised, but is subject to an impairment review at least annually and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs). The CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the carrying value may not be recoverable.

Intangible assets

Acquisition intangibles:

Acquisition intangibles comprise licence fees, customer relationships and distribution rights, patents technology and know-how and trade names. These are capitalised at cost and amortised on a straight line basis over their estimated useful lives. The principal expected useful lives are as follows:

Licence fees	Term of license
Customer relationships and distribution rights	2 to 10 years
Patents, technology and know-how	5 to 15 years
Trade names	8 years

Patents, technology and know-how assets are only amortised once the development is complete and being utilised for their intended purpose; until this point the assets are deemed to be in progress.

Other intangibles:

These comprise software and expenditure on capitalised internally developed technology. Internally developed technology costs (previously described as hybridomas and assays) are recognised as an asset if and only if they meet the recognition criteria set out in IAS 38 Intangible Assets. Intangible assets under construction are not amortised.

Internally developed technology was previously classified within property, plant and equipment. Furthermore, the maximum useful economic life has been reassessed and extended from 8 years to 16 years. These changes are described in further detail in note 14.

The principal expected useful lives are as follows:

Software	2 to 5 years
Internally developed technology	3 to 16 years

3. Principal accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, as follows:

Laboratory equipment	2 to 5 years
Office fixtures, fittings and other equipment	2 to 5 years
Leasehold improvements	Term of lease

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 the income statement. Residual values of assets and their useful lives are assessed on an ongoing basis and adjusted, if appropriate, at each balance sheet date. Assets under the course of construction are not depreciated.

Impairment of property, plant and equipment and intangible assets excluding goodwill

A review is undertaken upon the occurrence of events or circumstances which indicate that the carrying amount may not be recoverable.

The 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 pre-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.

Inventories

Inventories and work in progress 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. 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.

Financial assets

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. The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties, and investments classified as available for sale.

Investment

Investments in shares are held at fair market value, with any revaluation gain or loss recorded through other comprehensive income, with the exception of any impairment losses which are recorded in the income statement.

Trade and other receivables

Trade receivables (excluding derivative financial assets) are recognised at cost less allowances for estimated irrecoverable amounts to align their cost to fair value. Provisions to reduce the carrying amount 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. Subsequent recoveries of amounts previously written off are credited to 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

Financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date.

Trade and other payables

Trade payables (excluding derivative financial liabilities) are non-interest bearing and are stated at cost which equates to their fair value.

Equity instruments

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

3. Principal accounting policies continued

Derivative financial instruments

The Group uses forward contracts to manage the exposure to fluctuating foreign exchange rates in relation to forecast future transactions.

Derivatives are initially recognised at fair value at the date a contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. 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.

Hedge accounting

At the inception of a hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, its effectiveness along with its risk management objectives, and its strategy for undertaking various hedge transactions. The effectiveness is repeated on an ongoing basis during the life of the instrument to ensure that the instrument remains effective.

Cash flow hedges

The Group designates certain derivatives as cash flow hedges of highly probable forecast foreign currency transactions.

The effective portion of changes in the fair value of derivatives which are designated and qualify as cash flow hedges is deferred in other comprehensive income. Gains or losses relating to the ineffective portion are recognised immediately in the income statement.

Amounts deferred in other comprehensive income are recycled to the income statement in the periods when the hedged item is recognised in the income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for hedge accounting. Any cumulative gain or loss in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is recognised immediately in the income statement.

Hedges of net investments in foreign operations

Any gain or loss on hedging instruments relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the translation reserve. Gain or losses relating to the ineffective portion are recognised immediately in the income statement.

Amounts accumulated in the translation reserve are reclassified to the income statement in the same way as exchange differences relating to the foreign operation.

Share-based payments

Equity settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and 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.

Share-based payments where vesting is by reference to external performance criteria (such as growth in an external index) are measured using the Monte Carlo simulation. Those which are subject only to internal performance criteria or service conditions are measured using the Black Scholes model.

For all schemes, the number of options expected to vest is recalculated at each balance sheet date based on expectations of leavers prior to vesting. The number of options expected to vest for schemes with internal performance criteria is also adjusted based on expectations of performance against targets. No adjustments are made for expected performance against external or 'market-based' targets. Charges made to the income statement in respect of equity settled share-based payments are credited to equity.

For cash settled share-based payments, the Group recognises a liability for the services acquired, measured initially at the fair value of the liability. This liability is re-measured at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the income statement.

Own shares

No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own shares. Any difference between the carrying amount and the consideration is recognised in equity.

4. Critical accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions about the application of its accounting policies which affect the reported amounts of assets, liabilities, revenue and expenses. Actual amounts and results may differ from those estimates.

Judgements and estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Group does not consider there to be any accounting judgements or sources of estimation uncertainty which are critical in nature, however, other key accounting judgements and sources of estimation uncertainty included in the Group's financial statements are as follows:

a) Key accounting judgements

Capitalisation of intangible assets

The Group capitalises internal software development costs, in particular internal staff costs, relating to the enhancement of the Group's core IT systems architecture and developments. Judgement is required in applying the capitalisation criteria of IAS 38, differentiating between enhancements and maintenance. Those costs which are not treated as capital but are directly attributable to the Group's system and process improvement project are treated as adjusting items.

In establishing the principles on which costs are capitalised, consideration is given to the nature of work being performed, whether the costs and the activities are incremental and whether the associated deliverables meet the characteristics of an asset. Processes are in place to evaluate this and the same processes are used to confirm whether the expensed costs are related to the system and process improvement project so that classification as an adjusting item is appropriate.

The Group capitalises internal costs associated with internally developed technology as intangible assets. As described further in notes 3 and 14, internally developed technology was previously classified within property, plant and equipment and has been reclassified within intangible assets. This requires judgement to determine that the characteristics of such assets meet the relevant criteria of IAS 38 for classification as an intangible asset.

Costing of inventory manufactured in-house and internally developed technology capitalised

Internal costs are included within in-house manufactured inventory and are also capitalised as internally developed technology (formerly described as hybridomas and assays) within intangible assets which is used to generate antibodies and kits. The point at which such internal costs are included in inventory or capitalised as well as their magnitude (whereby the amount capitalised comprises an element of overhead allocation) is a key area of judgement. A key area in respect of the stage of development of internally developed technology is subject to judgement as to when a product's future economic value justifies capitalisation. Management reviews regularly these factors in order to determine that the costs meet the criteria for inclusion in inventory or capitalisation as intangible assets as relevant and in respect of internally developed technology, the classification as an intangible asset, as described above.

b) Key sources of estimation uncertainty

Provision for slow-moving or defective inventory

The provision for slow-moving inventory is based on the Director's estimation of the future sales of each of the Group's products over the period from the balance sheet date to the expiry date of the product. Estimated future sales are based on historical actual sales and a growth rate assumption which is derived from the average annual growth over the product life to date.

If actual unit sales growth rates differ from those estimated by management, both the level of provision against existing inventory and the rates of provision applied to inventory in future periods would need to be revised.

Valuation of acquisition intangibles

Accounting for the acquisition of the licence agreement from Roche (referred to in note 26) involved the use of assumptions and estimates in relation to the future cash flows associated with acquisition intangibles and the use of valuation techniques in order to arrive at the fair value of the intangible assets acquired. The assumptions applied were based on the best information available to management and valuation techniques were supported by third party valuation experts.

Nevertheless, the actual performance of these assets may differ from the valuations derived through this exercise.

5. Operating segments

Products and services from which reportable segments derive their revenues

The Directors consider that there is only one core business activity and there are no separately identifiable business segments which are engaged in providing individual products or services or a group of related products and services which are subject to separate risks and returns. 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, which is 'sales of antibodies and related products'. The Group's revenue 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 contributes more than 10% of its revenues.

Geographical information

Revenues are attributed to countries based on customers' location. The Group's revenue from external customers and information about its non-current segment assets (excluding deferred tax and derivative financial instruments) is set out below:

	Revenue		Non-current assets	
	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m	**As at 30 June 2018 £m**	As at 30 June 2017 £m
US	**97.4**	91.8	**165.2**	172.2
China	**33.1**	26.7	**3.2**	3.7
Japan	**16.4**	18.1	**0.1**	0.1
UK	**13.6**	12.7	**77.9**	35.3
Germany	**13.4**	12.4	**—**	—
Other countries	**59.3**	55.4	**0.1**	0.1
	233.2	217.1	**246.5**	211.4

No country included within 'Other countries' contributes more than 5% of the Group's total revenue.

Revenue by type is shown below:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Catalogue revenue	**216.8**	202.4
Custom products and licensing revenue*	**16.4**	14.7
Total reported revenue	**233.2**	217.1

* Includes custom services, IVD/IHC, royalties and licence income.

6. Profit for the year

Profit for the year is stated after charging/(crediting):

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cost of inventories recognised as an expense	**58.8**	54.7
Write down of inventories recognised as an expense	**0.8**	0.8
UK R&D tax credits	**(3.1)**	(0.7)
R&D expenditure (excluding UK tax credits)	**19.1**	19.3
Operating lease rentals	**5.4**	4.0
Movements arising on financial instruments at fair value through profit or loss	**(0.7)**	(1.2)
Other net foreign exchange differences (including cash flow hedge movements reclassified from other comprehensive income)	**(0.9)**	10.8

Auditor's remuneration comprised the following:

	30 June 2018 £000	30 June 2017 £000
Audit services – Group and parent company	**176**	149
– subsidiary companies pursuant to legislation	**8**	29
Total audit fees	**184**	178
Audit-related assurance services (interim review)	**21**	20
Other services	**4**	7
Total auditor remuneration	**209**	205

The Group's policy on the use of the auditor for non-audit services is set out in the Audit and Risk Committee Report on page 68.

7. Adjusted performance measures

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

	Note	Year ended 30 June 2018 Adjusted £m	Year ended 30 June 2018 Adjusting items £m	Year ended 30 June 2018 Total £m	Year ended 30 June 2017 Adjusted £m	Year ended 30 June 2017 Adjusting items £m	Year ended 30 June 2017 Total £m
EBITDA*		**88.3**	**(6.6)**	**81.7**	73.3	(2.8)	70.5
Depreciation and amortisation		**(7.0)**	**(5.9)**	**(12.9)**	(8.9)	(6.5)	(15.4)
Operating profit		**81.3**	**(12.5)**	**68.8**	64.4	(9.3)	55.1
Finance income	9	**0.3**	**—**	**0.3**	0.2	—	0.2
Finance costs	9	**—**	**—**	**—**	—	(3.4)	(3.4)
Profit before tax		**81.6**	**(12.5)**	**69.1**	64.6	(12.7)	51.9
Tax	10	**(14.9)**	**8.0**	**(6.9)**	(12.6)	3.1	(9.5)
Profit for the period		**66.7**	**(4.5)**	**62.2**	52.0	(9.6)	42.4

* EBITDA = Earnings before interest, tax, depreciation and amortisation.

Analysis of adjusting items	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Affecting EBITDA		
System and process improvement costs	**(6.1)**	(3.8)
Costs associated with new Group headquarters	**(0.3)**	—
Contingent consideration fair value adjustment	**—**	1.0
Acquisition costs	**(0.2)**	—
	(6.6)	(2.8)
Affecting depreciation and amortisation		
Amortisation of acquisition related intangible assets	**(5.9)**	(5.9)
System and process improvement costs – Impairment	**—**	(0.6)
	(5.9)	(6.5)
Affecting operating profit*	**(12.5)**	(9.3)
Affecting profit before tax		
Finance costs: Unwinding of discount factor on contingent consideration and fees	**—**	(3.4)
	(12.5)	(12.7)
Affecting tax		
Tax effect of adjusting items	**2.8**	3.1
Net tax benefit arising from new US tax legislation	**5.2**	—
Total adjusting items	**(4.5)**	(9.6)

* Of which £4.1m (2017: £4.4m) within Amortisation of acquisition related intangible assets is included within Research and development expenses, with the remaining £8.4m (2017: £4.9m) included within Selling, general and administrative expenses.

8. Employees

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

	Year ended 30 June 2018 number	Year ended 30 June 2017 number
Management, administrative, marketing and distribution	**741**	647
Laboratory	**313**	301
	1,054	948

Their aggregate remuneration comprised:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Wages and salaries	**49.7**	45.4
Social security costs	**6.1**	4.5
Other pension costs	**2.9**	2.8
Share-based payments charge	**3.4**	3.9
Total staff costs	**62.1**	56.6
Staff costs capitalised*	**(1.9)**	(3.9)
Net staff costs	**60.2**	52.7

* Relates to staff costs directly attributable to the Group's system and process improvement project.

The remuneration of the Directors, including rewards under share schemes, are set out in the Remuneration Report on pages 85 to 91.

9. Finance income and costs

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Interest income on cash	**0.3**	0.2
Finance income	**0.3**	0.2
Unwinding of discount on contingent consideration	**—**	(3.4)
Finance costs	**—**	(3.4)
Net finance income/(costs)	**0.3**	(3.2)

10. Taxation

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Current tax			
Current income tax charge		**15.8**	11.8
Adjustment in respect of prior years		**(1.4)**	(1.4)
		14.4	10.4
Deferred tax			
Origination and reversal of temporary differences		**(13.8)**	(2.0)
Adjustment in respect of prior years		**0.3**	1.1
Effect of tax rate change		**6.0**	0.0
	15	**(7.5)**	(0.9)
Total income tax charge		**6.9**	9.5
Adjusted income tax charge*		**14.9**	12.6

* Adjusted income tax charge excludes the tax effects of adjusting items and the impact on tax arising from new US tax legislation, both of which are set out in note 7.

The effective tax rate on reported profits is 10.0% (2017: 18.3%) and has reduced mainly due to the one-off impacts of the US reform (in particular the revaluation of deferred tax balances associated with Group's acquired intangible assets). The US Tax Cuts and Jobs Act was signed in December 2017, resulting in a reduction in the US federal tax rate from 35.0% to 21.0% with effect from 1 January 2018. The effective tax rate on adjusted profits is 18.3% and excludes the impact of the above.

The UK corporation tax rate for the year was 19.0% (2017: 19.75%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

From April 2020, the UK corporate tax rate will reduce to 17.0% in line with Finance Act 2016. This 17.0% rate continues to be applied in the deferred tax valuations based on the expected timing of when such assets and liabilities will be recovered.

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit before tax	**69.1**	51.9
Tax at the UK corporation tax rate of 19.0% (2017: 19.75%)	**13.1**	10.2
Adjustment in respect of overseas tax rates	**0.9**	1.0
Adjustments in respect of prior years	**(1.1)**	(0.3)
Tax effect of (non-taxable income)/non-deductible expenses	**(0.3)**	1.3
Relief in relation to overseas entities	**—**	(1.4)
Overseas R&D tax credit uplift	**(0.5)**	(0.3)
Deferred tax previously unrecognised	**—**	(1.0)
Overseas taxes arising from changes in tax legislation	**0.8**	—
Effect of tax rate change on deferred tax balances	**(6.0)**	—
Tax expense for the year	**6.9**	9.5

11. Earnings per share

The calculation of earnings per ordinary share (EPS) and adjusted earnings per ordinary share (adjusted EPS) are based on profit after tax and adjusted profit after tax attributable to owners of the parent and the weighted number of shares in issue during the year.

Adjusted EPS figures have been calculated based on earnings before adjusting items which are considered significant in nature or value and which are described in note 7.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Earnings		
Profit attributable to equity shareholders of the parent – adjusted	**66.7**	52.0
Adjusting items (see note 7)	**(4.5)**	(9.6)
Profit attributable to equity shareholders of the parent – reported	**62.2**	42.4

	million	million
Number of shares		
Weighted average number of ordinary shares in issue	**204.8**	203.4
Less ordinary shares held by Equiniti Share Plan Trustees Limited	**(0.6)**	(0.7)
Weighted average number of ordinary shares for the purposes of basic EPS	**204.2**	202.7
Effect of potentially dilutive ordinary shares – share options and awards	**1.6**	1.5
Weighted average number of ordinary shares for the purposes of diluted EPS	**205.8**	204.2

Basic EPS and adjusted EPS are calculated by dividing the earnings attributable to the equity shareholders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS and adjusted EPS are calculated on the same basis as basic EPS but with a further adjustment to the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. Such potentially dilutive ordinary shares comprise share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and any unvested shares which have met, or are expected to meet, the performance conditions at the end of the year.

	Year ended 30 June 2018	Year ended 30 June 2017
Basic EPS	**30.5p**	20.9p
Diluted EPS	**30.2p**	20.7p
Adjusted basic EPS	**32.7p**	25.7p
Adjusted diluted EPS	**32.4p**	25.5p

12. Goodwill

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cost and carrying amount		
At beginning of year	**115.5**	112.5
Additions	**0.1**	—
Exchange differences	**(1.4)**	3.0
At end of year	**114.2**	115.5

Goodwill is converted at the exchange rate on the date of acquisition and retranslated at the balance sheet rate.

Goodwill acquired in a business combination is allocated at acquisition to the Cash Generating Unit (CGU) which is expected to benefit from that business combination. The Directors consider there to be one CGU as acquisitions are integrated into the Group's operations and product portfolio (as described in note 5).

As required by IAS 36, goodwill is subject to an annual impairment review or more frequently if there are any indications that goodwill might be impaired. The reviews are carried out using the following criteria:

- The recoverable amount of the CGU is determined from value in use (VIU) calculations;
- The VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five year period;
- Cash flows beyond the five year period are extrapolated using a long term growth rate equivalent to the expected inflationary increases of the economies in which the Group predominantly trades.

The key assumptions considered most sensitive for the VIU calculations are:

- The Directors' five year projections;
- The growth rate after five years; and
- The pre-tax adjusted discount rate.

The Directors have projected cash flows based on strategic financial forecasts over a period of five years and take account of relative performance of competitors, knowledge of the current market, together with the Directors views on the future achievable growth in market share and the impact of growth initiatives.

A growth rate of 2.1% has been used in the extrapolation of cash flows beyond the five years

A pre-tax discount rate of 7.3% 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.

Based on the results of this analysis, management is satisfied that the recoverable amount of goodwill exceeds its carrying amount.

Management has performed a sensitivity analysis on each of the key base case assumptions mentioned above. Due to the headroom which exists between the recoverable amount and the carrying value the Directors have concluded that there are no reasonable possible changes in any of these key assumptions which would cause the goodwill to exceed its VIU.

13. Intangible assets

	Acquisition intangibles							
	Customer relationships and distribution rights £m	Patents, technology and know-how £m	Licence fees £m	Trade names £m	Sub-total £m	Software £m	Internally developed technology* £m	Total £m
Cost								
At 1 July 2016	7.4	64.6	5.3	2.4	79.7	16.3	—	96.0
Additions	—	—	—	—	—	11.2	—	11.2
Disposals in year	(0.4)	—	—	—	(0.4)	—	—	(0.4)
Exchange differences	0.2	1.8	0.1	0.1	2.2	—	—	2.2
At 30 June 2017	7.2	66.4	5.4	2.5	81.5	27.5	—	109.0
Additions	**0.5**	**—**	**10.4**	**—**	**10.9**	**18.0**	**2.3**	**31.2**
Disposals in year	**(0.2)**	**—**	**(0.2)**	**—**	**(0.4)**	**(0.2)**	**(0.1)**	**(0.7)**
Reclassification*	**—**	**—**	**—**	**—**	**—**	**—**	**17.3**	**17.3**
Exchange differences	**(0.2)**	**(0.8)**	**(0.1)**	**—**	**(1.1)**	**—**	**0.2**	**(0.9)**
At 30 June 2018	**7.3**	**65.6**	**15.5**	**2.5**	**90.9**	**45.3**	**19.7**	**155.9**
Accumulated amortisation								
At 1 July 2016	3.9	9.4	3.6	1.3	18.2	7.6	—	25.8
Charge for the year	0.8	4.4	0.4	0.3	5.9	3.9	—	9.8
Disposals in year	(0.4)	—	—	—	(0.4)	—	—	(0.4)
Exchange differences	—	0.1	0.1	—	0.2	—	—	0.2
At 30 June 2017	4.3	13.9	4.1	1.6	23.9	11.5	—	35.4
Charge for the year	**0.7**	**4.1**	**0.8**	**0.3**	**5.9**	**1.7**	**0.8**	**8.4**
Disposals in year	**(0.2)**	**—**	**(0.2)**	**—**	**(0.4)**	**(0.2)**	**(0.1)**	**(0.7)**
Reclassification*	**—**	**—**	**—**	**—**	**—**	**—**	**6.5**	**6.5**
Exchange differences	**—**	**(0.1)**	**—**	**—**	**(0.1)**	**—**	**0.1**	**—**
At 30 June 2018	**4.8**	**17.9**	**4.7**	**1.9**	**29.3**	**13.0**	**7.3**	**49.6**
Carrying amount								
At 30 June 2017	2.9	52.5	1.3	0.9	57.6	16.0	—	73.6
At 30 June 2018	**2.5**	**47.7**	**10.8**	**0.6**	**61.6**	**32.3**	**12.4**	**106.3**
Included in carrying amount – Assets under construction								
At 30 June 2017	—	—	—	—	—	12.3	—	12.3
At 30 June 2018	**—**	**—**	**—**	**—**	**—**	**29.8**	**1.9**	**31.7**

* As described in note 14, the reclassification relates to 'Internally developed technology' and comprises assets previously described as 'Hybridomas and Assays' and classified within property, plant and equipment.

Amortisation of £4.9m (2017: £4.4m) is included within Research and development expenses and £3.5m (2017: £5.4m) is included within Selling, general and administrative expenses.

Individually material intangible assets

Software assets under construction relate to the Group's new ERP system.

Patents, technology and know-how and License fees includes amounts which are considered individually material to the financial statements and are set out as follows:

	Carrying amount £m	Remaining amortisation period Years
Epitomics RabMAb® technology	**15.2**	9
Firefly BioWorks Multiplex and assay technology	**16.6**	11
AxioMx In Vitro monoclonal antibody production technology	**15.8**	15
Roche licence agreement	**10.0**	10

14. Property, plant and equipment

	Laboratory equipment £m	Office fixtures, fittings and other equipment £m	Internally developed technology* £m	Leasehold Improvements £m	Total £m
Cost					
At 1 July 2016	11.7	13.5	11.8	—	37.0
Additions	2.9	2.6	3.6	1.1	10.2
Disposals in year	(0.6)	(0.2)	—	—	(0.8)
Reclassification	—	(0.6)	—	0.6	—
Exchange differences	0.2	0.2	0.1	—	0.5
As 30 June 2017	14.2	15.5	15.5	1.7	46.9
Additions	**2.4**	**0.4**	**2.0**	**13.5**	**18.3**
Disposals	**(0.6)**	**(2.3)**	**—**	**—**	**(2.9)**
Reclassification*	**—**	**—**	**(17.3)**	**—**	**(17.3)**
Exchange differences	**—**	**(0.1)**	**(0.2)**	**—**	**(0.3)**
At 30 June 2018	**16.0**	**13.5**	**—**	**15.2**	**44.7**
Accumulated depreciation					
At 1 July 2016	8.1	7.6	3.8	—	19.5
Charge for the year	1.5	2.2	1.9	—	5.6
Disposals in year	(0.6)	(0.2)	—	—	(0.8)
Exchange differences	0.2	0.1	—	—	0.3
At 30 June 2017	9.2	9.7	5.7	—	24.6
Charge for the year	**1.8**	**1.8**	**0.9**	**—**	**4.5**
Disposals	**(0.5)**	**(2.2)**	**—**	**—**	**(2.7)**
Reclassification*	**—**	**—**	**(6.5)**	**—**	**(6.5)**
Exchange differences	**(0.1)**	**(0.1)**	**(0.1)**	**—**	**(0.3)**
At 30 June 2018	**10.4**	**9.2**	**—**	**—**	**19.6**
Net book value					
At 30 June 2017	5.0	5.8	9.8	1.7	22.3
At 30 June 2018	**5.6**	**4.3**	**—**	**15.2**	**25.1**
Included in net book value – Assets under construction					
At 30 June 2017	—	—	1.5	1.7	3.2
At 30 June 2018	**—**	**—**	**—**	**15.2**	**15.2**

* As scientific technology has continued to evolve, a review was undertaken during the year of the wider nature of the asset category previously described as 'Hybridomas and Assays' and in the first instance the category has been renamed 'Internally developed technology' to better reflect the broader nature of the assets. Secondly, it has been concluded that because, in most cases now, although a physical asset may still exist, because a genetic sequencing has since been performed, the value now lies within this sequencing and this is intangible in nature. Accordingly, these assets have now been reclassified to intangible assets. At the same time, the useful economic life has been reviewed and has been extended from 8 to 16 years.

Leasehold improvements comprises the construction of the Group's new headquarters.

15. Deferred tax assets and liabilities

	Accelerated capital allowances £m	Cash flow hedges £m	Share-based payments £m	Acquired intangible assets £m	Losses £m	Other temporary differences £m	Total £m
At 30 June 2016	(1.3)	1.9	2.6	(22.9)	2.6	3.8	(13.3)
Credit/(charge) to income	0.6	(0.2)	(0.2)	1.8	(0.8)	(0.3)	0.9
Charge to equity	—	(1.6)	(0.7)	—	—	—	(2.3)
Exchange differences	—	—	—	(0.8)	0.1	0.1	(0.6)
At 30 June 2017	(0.7)	0.1	1.7	(21.9)	1.9	3.6	(15.3)
(Charge)/credit to income	**(0.1)**	**(0.1)**	**0.2**	**8.1**	**(0.5)**	**(0.1)**	**7.5**
Credit to equity	**—**	**—**	**1.7**	**—**	**—**	**—**	**1.7**
Exchange differences	**—**	**—**	**—**	**0.6**	**—**	**(0.1)**	**0.5**
At 30 June 2018	**(0.8)**	**—**	**3.6**	**(13.2)**	**1.4**	**3.4**	**(5.6)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

Deferred tax balances are comprised as follows:

	30 June 2018 £m	30 June 2017 £m
Deferred tax assets to be recovered		
After more than 12 months	**4.2**	3.3
Within 12 months	**4.2**	3.3
	8.4	6.6
Deferred tax liabilities to be recovered		
After more than 12 months	**(10.9)**	(19.8)
Within 12 months	**(3.1)**	(2.1)
	(14.0)	(21.9)
Deferred tax liabilities (net)	**(5.6)**	(15.3)

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability or asset is expected to be realised based on rates enacted or substantively enacted by the reporting date.

16. Inventories

	30 June 2018 £m	30 June 2017 £m
Raw materials	**4.4**	3.5
Work in progress	**2.9**	2.2
Finished goods and goods for resale	**22.3**	16.1
	29.6	21.8

17. Trade and other receivables

	30 June 2018 £m	30 June 2017 £m
Amounts receivable for the sale of goods and services	**25.0**	22.0
Less provision for bad and doubtful debts	**(0.1)**	—
	24.9	22.0
Other receivables*	**11.6**	10.2
Prepayments	**2.8**	2.4
	39.3	34.6

* Other receivables includes £5.2m (2017: £6.1m) held in escrow to fund payments to be made to contractors in respect of the construction of the Group's new headquarters.

17. Trade and other receivables continued
Ageing of trade receivables:

	30 June 2018			30 June 2017		
	Gross £m	Provision £m	Net £m	Gross £m	Provision £m	Net £m
Not past due	**19.6**	**—**	**19.6**	17.2	—	17.2
Past due						
0 to 30 days	**3.4**	**—**	**3.4**	3.2	—	3.2
30 to 60 days	**1.1**	**—**	**1.1**	0.6	—	0.6
More than 60 days	**0.9**	**(0.1)**	**0.8**	1.0	—	1.0
	5.4	**(0.1)**	**5.3**	4.8	—	4.8
	25.0	**(0.1)**	**24.9**	22.0	—	22.0

Movement in provision for bad and doubtful debts

	30 June 2018 £m	30 June 2017 £m
Balance at beginning of year	**—**	(0.7)
Impairment (losses)/gains recognised in the income statement	**(0.1)**	0.7
Balance at end of year	**(0.1)**	—

The average credit period taken for sales is 33 days (2017: 32 days). Trade and other receivables are non-interest bearing and generally on terms between 30 to 90 days. Trade receivables are provided for based on estimated irrecoverable amounts determined either by specific circumstances or by reference to past default experience.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. Credit limits for each customer are reviewed on a monthly basis. 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 provision for doubtful debts.

The Group does not hold any collateral or other credit enhancements over its trade receivables, nor do they have a legal right to offset against any amounts owed to the counterparty.

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

18. Derivative financial instruments
30 June 2018

	Current		Non-current		
	Asset £m	Liability £m	Asset £m	Liability £m	Total £m
Derivatives carried at fair value through profit and loss					
Forward exchange contracts that are not designated in hedge accounting relationships	**0.2**	**(0.1)**	**—**	**—**	**0.1**
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	**0.6**	**(0.4)**	**—**	**(0.1)**	**0.1**
	0.8	**(0.5)**	**—**	**(0.1)**	**0.2**

30 June 2017

	Current		Non-current		
	Asset £m	Liability £m	Asset £m	Liability £m	Total £m
Derivatives carried at fair value through profit and loss					
Forward exchange contracts that are not designated in hedge accounting relationships	0.2	(0.8)	—	—	(0.6)
Derivatives that are designated and effective as hedging instruments carried at fair value					
Forward exchange contracts	1.1	(1.3)	0.2	(0.1)	(0.1)
	1.3	(2.1)	0.2	(0.1)	(0.7)

Further details of derivative financial instruments are provided in note 23.

19. Trade and other payables

	30 June 2018 £m	30 June 2017 £m
Amounts falling due within one year		
Trade payables	**7.0**	6.9
Accruals and deferred income	**23.4**	18.9
Other taxes and social security	**1.1**	1.4
Other payables	**14.3**	2.1
	45.8	29.3

At 30 June 2018, the Group had an average of 30 days of purchases (30 June 2017: 29 days) outstanding in trade payables (excluding accruals and deferred income). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timetable. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Other payables includes £11.8m relating to the outstanding consideration payable in respect of the Spring business combination set out in note 26.

20. Commitments

Contractual commitments

The Group has outstanding commitments for future minimum lease payments on land and buildings under non-cancellable operating lease, as well as other commitments, which fall due as follows:

	30 June 2018 £m	30 June 2017 £m
Total undiscounted future committed payments falling due:		
Within one year	**9.1**	4.7
Between one to five years	**25.1**	10.0
After more than five years	**52.2**	0.4
	86.4	15.1

The future minimum sub-lease payments expected to be received under non-cancellable sub-leases is £0.4m (2017: £0.4m)

Future capital expenditure

	30 June 2018 £m	30 June 2017 £m
Contracted for but not provided	**5.8**	6.3

Amounts relate predominantly to amounts held in escrow to fund payments to be made to contractors in respect of the construction of the Group's new global headquarters on the Cambridge Biomedical Campus.

21. Share capital and reserves

Share capital

	30 June 2018 £m	30 June 2017 £m
Authorised, issued and fully paid:		
205,044,686 (2017: 204,469,825) ordinary shares of 0.2 pence each	**0.4**	0.4

Movement during the year:	Number of ordinary shares 2018 million	Number of ordinary shares 2017 million	Share capital 2018 £m	Share capital 2017 £m
Balance at beginning of year	**204.5**	202.6	**0.4**	0.4
Issue of share capital	**0.5**	1.9	**—**	—
Balance at end of year	**205.0**	204.5	**0.4**	0.4

The Company has one class of ordinary shares which carries no right to fixed income. Share capital issued during the year arose from the exercise of share options and the issue of shares to the Equiniti Share Plan Trustees Limited. Share capital issued in the prior year also included the settlement of an element of contingent consideration.

Other reserves

Merger reserve

Comprises the premium on shares issued as consideration for acquisitions where conditions for merger relief have been satisfied.

Own shares

Represents shares in the Company held by the Equiniti Share Plan Trustees Limited. These shares are held in order to satisfy the Free Shares and Matching Shares elements of the SIP, further details of which are set out in note 24.

	30 June 2018 Nominal value £'000	30 June 2018 Number	30 June 2017 Nominal value £'000	30 June 2017 Number
Own shares	**1**	**589,968**	1	728,909

Translation reserve

Represents exchange differences on translation of overseas operations and net foreign investment hedges.

Hedging reserve

Comprises gains and losses recognised on cash flow hedges and the associated deferred tax assets.

22. Dividends

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Amounts recognised as distributions to the equity shareholders in the year:		
Final dividend for the year ended 30 June 2016 of 6.556 pence per share	**—**	13.3
Interim dividend for the year ended 30 June 2017 of 2.825 pence per share	**—**	5.8
Final dividend for the year ended 30 June 2017 of 7.355 pence per share	**15.1**	—
Interim dividend for the year ended 30 June 2018 of 3.420 pence per share	**7.0**	—
Total distributions to owners of the parent in the period	**22.1**	19.1

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

	Year ended 30 June 2018 £m
Proposed final dividend for the year ended 30 June 2018 of 8.580 pence per share	**17.6**

23. Financial instruments

Capital risk management

The capital structure of the Group consists of cash and cash equivalents and total equity attributable to the owners of the parent. The Group maintains a capital structure with the following objectives:

- to protect the ability of the Group to continue as a going concern and maintain sufficient available resources as protection for unforeseen events;
- to provide flexibility of resource for strategic growth and investment where opportunities arise; and
- to provide reasonable returns to shareholders whilst maintaining a limited level of risk.

As part of achieving these objectives the Group identifies the principal financial risk exposures that are created by the Group's financial instruments and monitors them on a regular basis. These are considered to be foreign currency risk (a component of market risk), credit risk and liquidity risk.

Where appropriate, the Group uses financial derivatives to help mitigate the key risks. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk

Currency risk is the risk that a change in currency rates causes an adverse impact on the Group's performance or financial position.

The Group has transactions denominated in various currencies with the principal currency exposure being fluctuations in US Dollars (USD), Euros, Chinese Renminbi (RMB) and Japanese Yen. Collectively these currencies make up approximately 89% of the Group's revenue and cash inflows. Whilst a large portion of the manufacturing and research and development costs are USD and RMB, giving a natural offset against the currency inflows, the majority of administration costs remain as Sterling leaving an overall net currency inflow in the Group's cash flows.

This remaining currency exposure is centrally managed with the objective being to secure a level of certainty of Sterling value for up to 90% of the future net exposure based on forecast cash flows expected to occur up to 18 months ahead. The Group uses forward currency contracts to achieve this objective and applies hedge accounting where applicable.

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.

The Group's open forward currency contracts and their maturity profile as at the year-end is as follows:

Outstanding contracts	30 June 2018 Average rate	30 June 2018 Foreign currency million	30 June 2017 Average rate	30 June 2017 Foreign currency million
Sell US Dollars				
Less than 3 months	**1.30**	**$9.9**	1.34	$10.1
3 to 6 months	**1.33**	**$7.4**	1.30	$8.6
7 to 12 months	**1.35**	**$11.5**	1.27	$13.8
13 to 18 months	**1.37**	**$5.3**	1.29	$7.5
	1.34	**$34.1**	1.30	$40.0
Sell Euros				
Less than 3 months	**1.12**	**€10.9**	1.23	€9.5
3 to 6 months	**1.12**	**€12.4**	1.18	€11.1
7 to 12 months	**1.12**	**€20.2**	1.15	€18.3
13 to 18 months	**1.12**	**€6.0**	1.14	€8.0
	1.12	**€49.5**	1.17	€46.9
Sell Yen				
Less than 3 months	**143.22**	**¥370.3**	146.17	¥408.6
3 to 6 months	**144.72**	**¥423.1**	139.63	¥425.8
7 to 12 months	**147.28**	**¥975.0**	137.80	¥877.6
13 to 18 months	**145.87**	**¥299.3**	140.35	¥360.6
	145.27	**¥2,067.7**	140.19	¥2,072.6
Sell Chinese Renminbi				
Less than 3 months	**8.92**	**¥20.2**	8.79	¥13.6
3 to 6 months	**8.84**	**¥11.5**	8.98	¥9.7
	8.88	**¥31.7**	8.86	¥23.3

23. Financial instruments continued

At 30 June 2018, the fair value of contracts held as cash flow hedges is a net asset of £0.1m (2017: net liability of £0.1m). The gain on the financial assets at fair value through the profit and loss account was £0.7m (2017: gain of £1.2m). The gain recognised in other comprehensive income of £0.2m (2017: £8.5m gain) is a combination of the gains experienced in the year of £0.9m (2017: £1.1m gain) offset by £0.7m (2017: £7.4m gain) that has been recycled from the hedging reserve into the income statement for contracts settled in the year.

The Group may also designate other currency-denominated financial instruments, such as contingent consideration, as net investment hedges against the currency translation of overseas subsidiaries results.

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group's financial instruments to changes in exchange rates by detailing the impact on profit and other comprehensive income of a 10% change in the sterling exchange rate against the relevant foreign currencies.

10% represents management's assessment of the reasonable possible change in foreign exchange rates over a 12 month period.

The sensitivity analysis only includes financial instruments denominated in non-functional currency and forward currency contracts outstanding at the reporting date. It represents the impact of an immediate 10% change in currency rates on that position. +10% is a strengthening in sterling against the other currencies, -10% is a weakening of Sterling against the other currencies.

	US Dollar currency impact		Euro currency impact		Yen currency impact		RMB currency impact	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
30 June 2018								
Income statement	**0.5**	**(0.6)**	**0.6**	**(0.2)**	**0.3**	**(0.2)**	**0.3**	**(0.5)**
Other comprehensive income	**1.4**	**(2.9)**	**3.6**	**(1.3)**	**1.0**	**(1.3)**	**0.1**	**(0.1)**
30 June 2017								
Income statement	0.5	(0.6)	0.5	(0.6)	0.3	(0.3)	0.4	(0.5)
Other comprehensive income	2.3	(2.8)	3.3	(4.0)	1.0	(1.3)	0.1	(0.1)

The sensitivity analysis is limited to the year end exposure and therefore does not reflect the exposure and inherent risk during the year.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient funds available in the right currency to settle its obligations as they fall due.

The Group generates funds from operational activities in excess of its operational requirements and has substantial cash balances available for its current investment activities.

The Board reviews the funding requirement of the Group as part of the budgeting and long term planning processes and considers as necessary alternative possible sources of funding where the requirement is not satisfied by the Group's forecast operational cash generation.

The Group manages liquidity risk by maintaining an adequate level of easily accessible cash reserves, in a currency profile representative of the Group's cost base and matching customer and supplier terms where possible. The Group also has access to daily currency trading facilities which provides the ability to convert currency within the agreed settlement limits as required.

23. Financial instruments continued

The maturity profile of financial liabilities shown below represents the Group's gross expected contractual cash flows.

	Less than six months £m	Between six months and one year £m	Over one year £m	Total £m
2018				
Trade and other payables	**(41.3)**	**(2.2)**	**—**	**(43.5)**
Derivative financial instruments	**(42.7)**	**(33.3)**	**(11.4)**	**(87.4)**

	Less than six months £m	Between six months and one year £m	Over one year £m	Total £m
2017				
Trade and other payables	(23.6)	(2.0)	—	(25.6)
Derivative financial instruments	(39.8)	(33.2)	(15.4)	(88.4)

The Group holds sufficient funds to meet these commitments as they fall due.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group is exposed to credit risk on its financial assets however, there is not deemed to be a significant exposure due to the nature of its customer base and the types of transaction that are undertaken.

Trade receivables consist of a large number of customers spread globally with the majority being in economically strong geographies. The Group's customer base is predominantly government-funded institutions, pharmaceutical companies conducting research, and local distributors. As such, the perceived risk of default is deemed to be low.

Further information on the Group's trade receivable ageing and impairment can be found in note 17.

The Group generates significant levels of operational cash. Cash in excess of local operational requirements is remitted and managed centrally. Exposure to counterparty default risk is managed by limiting the concentration of funds and contracts held with individual financial institutions and ensuring funds are only placed with institutions or in products rated BBB- or above by Standard & Poor's.

Categories of financial instruments

	Carrying and fair value	
	30 June 2018 £m	30 June 2017 £m
Financial instruments held at amortised cost		
Trade receivables	**24.9**	22.0
Other receivables	**2.0**	1.6
Cash and cash equivalents and term deposits	**90.2**	84.8
Trade and other payables (excluding contingent consideration and fees)*	**(43.5)**	(25.6)
Financial instruments held at fair value		
Derivative financial instruments	**0.2**	(0.7)
Investment	**0.9**	1.0

* Financial instruments within trade and other payables consist of trade payables, certain accruals and other payables.

The Directors consider there to be no material difference between the carrying value and the fair value of the financial instruments classified as held at amortised cost due to the short maturity of these items. For the items classified as held at fair value, the fair value is recognised on the balance sheet as the carrying amount as required by IAS 39.

23. Financial instruments continued

Financial instruments held at fair value

Financial instruments that are measured at fair value are classified using a fair value hierarchy that reflects the source of inputs used in deriving the fair value. The three classification levels are:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

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

30 June 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments	—	0.8	—	0.8
Investment	0.9	—	—	0.9
Total assets	0.9	0.8	—	1.7
Liabilities				
Derivative financial instruments	—	(0.6)	—	(0.6)
Total liabilities	—	(0.6)	—	(0.6)

30 June 2017	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments	—	1.5	—	1.5
Investment	1.0	—	—	1.0
Total assets	1.0	1.5	—	2.5
Liabilities				
Derivative financial instruments	—	(2.2)	—	(2.2)
Total liabilities	—	(2.2)	—	(2.2)

Level 2 derivative financial instruments comprise forward foreign exchange contracts. The fair value is remeasured on a monthly basis with reference to available forward market rates and comparative instrument pricing.

24. Share-based payments

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Expense arising from share-based payment transactions:		
Included in Selling, general and administrative expenses	**2.9**	3.4
Included in Research and Development expenses	**0.5**	0.5
	3.4	3.9
Equity settled share-based payment expense	**3.0**	3.5
Cash settled share-based payment expense*	**0.4**	0.4
	3.4	3.9

* The total liability as at 30 June 2018 was £0.5m (30 June 2017: £0.5m) of which £nil (2017: less than £0.1m) relates to options which have vested.

Equity-settled share option schemes

The Group operates a number of share schemes for certain employees of the Group as follows:

- 2005 and 2015 Share Option Scheme (ISO/Unapproved) (SOS)
- Company Share Option Plan 2009 (CSOP);
- Long Term Incentive Plan (LTIP);
- Annual bonus plan – deferred share award (DSA);
- Share Incentive Plan (SIP); and
- Non-Executive Directors (NED) share award.

Options or conditional share grants under each scheme have been aggregated.

The vesting period ranges from one to four years. Options which remain unexercised after a period of ten years from the date of grant expire. Options are forfeited if the employee leaves the Group before they vest, save where the employee is deemed to be a 'good leaver' in which case options awarded are pro-rated to the leaving date.

Discretionary awards

Share option plans: SOS and CSOP

	2018		2017	
	Number	Weighted average exercise price pence	Number	Weighted average exercise price pence
Outstanding at beginning of year	**1,456,393**	**491.7**	1,729,807	407.3
Granted during year	**445,900**	**1,020.0**	419,111	613.6
Forfeited during year	**(161,017)**	**776.0**	(198,673)	517.9
Exercised during year	**(354,621)**	**430.2**	(493,852)	289.0
Outstanding at end of year	**1,386,655**	**644.3**	1,456,393	491.7
Number of options exercisable at end of year	**457,389**	**446.2**	455,562	399.4

		2018		2017	
Analysed by range of exercise price:	Grant year	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
180.8p–464.0p	prior to 2016	**437,430**	**5.4 years**	751,425	6.2 years
598.0p	2016	**233,229**	**7.3 years**	334,312	8.3 years
851.0p	2017	**322,246**	**8.4 years**	370,656	9.4 years
1,020.0p	2018	**393,750**	**9.4 years**	—	—
		1,386,655	**7.5 years**	1,456,393	7.5 years

24. Share-based payments continued

	Year ended 30 June 2018	Year ended 30 June 2017
Weighted average fair value of options granted	**190.7p**	151.8p
Weighted average share price at date of exercise	**1,083.7p**	882.0p

Options issued under the CSOP and SOS carry market-based performance conditions, whereby they will vest where the percentage growth in Abcam plc shares over the vesting period is equal or greater than the percentage growth of the FTSE AIM All-Share Index.

The inputs into the Monte Carlo model for options issued during the current and prior year were as follows:

	2018		2017	
	SOS	**CSOP**	SOS	CSOP
Share price at grant (pence)	**1,042.0**	**—**	841.0	841.0
Fair value at valuation date (pence)	**175.8–217.9**	**—**	147.0–176.0	169.0
Exercise price (pence)	**1,020.0**	**—**	841.0	841.0
Expected volatility	**23%–24%**	**—**	25%–26%	26%
Contractual life	**5–7 years**	**—**	5–7 years	6 years
Expected dividend yield	**0.98%**	**—**	1.06%	1.06%
Risk-free interest rate	**0.43%–0.61%**	**—**	0.15%–0.40%	0.26%

The volatility of the options is based on the average of standard deviations of historical daily continuous returns on Abcam plc shares, looking back over the same period as the expected life of the option. The dividend yield is based on Abcam plc's actual dividend yield in the past. The risk-free rate is the yield on UK government gilts at each date of grant.

Share award plans: LTIP and DSA

	Year ended 30 June 2018	Year ended 30 June 2017
Outstanding at beginning of year	**965,312**	1,287,549
Granted during year	**267,330**	351,890
Forfeited during year	**(48,210)**	(195,916)
Exercised during year	**(161,675)**	(478,211)
Outstanding at end of year	**1,022,757**	965,312
Number of options exercisable at end of year	**126,742**	105,135

	Year ended 30 June 2018	Year ended 30 June 2017
Weighted average fair value of awards granted	**989.9p**	771.5p
Weighted average share price at date of exercise	**1,067.8p**	942.0p
Weighted average remaining contractual life	**7.4 years**	7.3 years

Fair values of the awards with a performance condition based on non market condition, for example EPS, are calculated using the Black Scholes model. The inputs into the models for awards granted in the current and prior year were as follows:

	2018		2017	
	LTIP	**DSA**	LTIP	DSA
Share price at grant (pence)	**1,042.0**	**970.0**	822.0–841.0	841.0
Expected volatility	**23%**	**23%**	25%–28%	24%
Contractual life (years)	**3 years**	**3 years**	3 years	3 years
Expected dividend yield	**0.98%**	**1.05%**	1.06%–1.08%	1.37%
Risk-free interest rate	**0.50%**	**0.55%**	0.26%–0.68%	0.98%

The inputs to the Black Scholes model, such as expected volatility, are based on the same calculation as those for the Monte Carlo simulation.

LTIP: Full details of the performance conditions for the LTIP are shown in note (a) to the Remuneration report on page 86. All awards are subject to achievement of the performance conditions over a three year period and can be exercised over the following seven years. Save as permitted in the LTIP rules, awards lapse on an employee leaving the Company.

DSA: For those employees entitled to participate in the annual bonus plan, a portion of the bonus is awarded in the form of shares for which there is a compulsory holding period of two years and a requirement for continued employment before these fully vest to the employees (deferred shares). The number of deferred shares granted is dependent on certain performance criteria, comprising a one-year profit target and achievement of strategic and personal objectives, details of which are shown in note (a) to the Remuneration report on page 86.

24. Share-based payments continued

All employee share schemes: SIPs

All UK-based employees are eligible to participate in the SIP whereby employees may purchase shares in the Company. These shares are referred to as Partnership Shares and are held in trust on behalf of the employee. For every Partnership Share bought by the employee up to a limit of £1,800 per tax year the Company will give the employee one share (Matching Shares), provided the employee remains employed by the Company for a period of at least three years. Employees must withdraw their shares from the plan upon leaving the Company and will not be entitled to the Matching Shares if they leave within three years of purchasing the Partnership Shares.

In addition to this, the Company also awards shares to employees (Free Shares) with a value of up to £3,600 per tax year. 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	
	2018	2017	**2018**	2017
Outstanding at beginning of year	**515,393**	571,500	**134,201**	151,601
Granted during year	**93,078**	109,816	**31,860**	26,198
Forfeited during year	**(42,269)**	(51,436)	**(17,072)**	(10,193)
Exercised during year	**(118,361)**	(114,487)	**(33,061)**	(33,405)
Outstanding at end of year	**447,841**	515,393	**115,928**	134,201
Exercisable at end of year	**215,268**	217,424	**72,009**	100,329

	Year ended 30 June 2018	Year ended 30 June 2017
Weighted average fair value of options granted	**1,042.0p**	841.0p

The fair value of 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.

Other awards: NED share award

During the year ended 30 June 2016, the Company approved a component to the Non-Executive Directors' remuneration, whereby a portion of the annual fees agreed would be deferred in shares. The number of deferred shares granted is settled in the open period following the completion of the one year vesting period.

Further details are included in note (b) to the Remuneration report on page 87.

25. Retirement benefit schemes

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Total charge to income statement in respect of defined contribution schemes	**2.9**	2.8

Defined contribution schemes

The UK-based employees of the Group have the option to join a defined contribution pension scheme managed by a third party pension provider. For each member the Company contributes a fixed percentage of salary to the scheme.

Employees of the Group's subsidiaries in the US, Japan, China and Hong Kong are members of state-managed retirement benefit schemes. Depending on location, 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 as required by law.

As at 30 June 2018 contributions of £0.3m (2017: £0.2m) due in respect of the current reporting period had not been paid over to the schemes.

26. Business combinations

2017/18

On 22 January 2018 the Group entered into a definitive license agreement with Roche for consideration of $17.6m (£13.0m). Under the terms of the agreement, the Group obtained the exclusive rights to the product portfolio of Spring Bioscience Corporation ('Spring'), in the research use only (RUO) field as well as the exclusive RUO rights for all future products developed for an initial period of 10 years. As part of the agreement, existing amounts of inventory also transferred to the Group.

Consideration of $2.1m (£1.5m) was exchanged on 30 May 2018. A liability for the balance of $15.5m (£11.8m) is shown within trade and other payables in note 19.

The provisional fair value identifiable assets recognised at the date of acquisition were as follows:

		£m
Non-current assets		
Intangible assets	(i)	10.9
Current assets		
Inventory		2.0
Total identifiable assets acquired		12.9
Goodwill		0.1
Total consideration	(ii)	13.0

(i) Comprises £10.4m attributable to the license agreement and £0.5m to customer and distributor relationships.
(ii) Acquisition related expenses totalling £0.2m are included within Selling, general and administrative expenses and are an adjusting item (note 7).

Since the date of acquisition to 30 June 2018, the agreement with Roche contributed £1.8m to the Group's revenue and a profit before tax of £0.6m over the same period.

Had the agreement with Roche completed on 1 July 2017, Group revenues and profit before tax for the year ended 30 June 2018 would have been increased by £5.0m and £1.8m, respectively.

2016/17

During the year ended 30 June 2017, the Group satisfied all remaining obligations relating to contingent consideration for the acquisition of AxioMx (acquired on 11 November 2015). Payments totalling £16.3m were made during the year following the achievement of milestones in August 2016 and April 2017 (£9.8m was settled in cash and £6.5m was equity settled).

27. Related party transactions

Remuneration of Directors and key management personnel

Key management personnel is comprised of the Non-Executive Directors, the Executive Directors and the Executive Leadership Team.

The Non-Executive Directors' fees for the year ended 30 June 2018 represent amounts received in cash and an element receivable in shares. Further information about the remuneration of individual Directors is provided in the audited section of the Remuneration report on pages 69 to 94.

	30 June 2018 £m	30 June 2017 £m
Short-term employee benefits and fees	**4.1**	3.6
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.4**	1.5
	5.7	5.3

Directors' transactions

During the year, the Group made purchases of £0.4m (2017: £0.2m) from companies of which Jonathan Milner is either a director or a significant investor. The majority of transactions were with Horizon Discovery Group plc, of which Jonathan Milner is a significant shareholder and was a non-executive director of Horizon Discovery until 4 June 2018. The balance outstanding at 30 June 2018 was £0.1m (2017: less than £0.1m). Total sales to companies related to Jonathan Milner were less than £0.1m (2017: less than £0.1m), of which less than £0.1m (2017: less than £0.1m) was outstanding as at 30 June 2018.

Company balance sheet
As at 30 June 2018

	Notes	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Goodwill	C4	**7.8**	7.7
Intangible assets	C5	**53.5**	15.9
Property, plant and equipment	C6	**16.6**	11.8
Investments	C7	**136.0**	137.2
Deferred tax asset	C8	**2.4**	1.8
Loan receivable	C9	**51.3**	52.0
Derivative financial instruments		**—**	0.2
		267.6	226.6
Current assets			
Inventories	C10	**21.5**	15.3
Trade and other receivables	C11	**38.5**	34.1
Derivative financial instruments		**0.8**	1.3
Cash and cash equivalents		**67.2**	72.7
		128.0	123.4
Total assets		**395.6**	350.0
Current liabilities			
Trade and other payables	C12	**(44.7)**	(38.7)
Current tax liabilities		**(1.4)**	(1.6)
Derivative financial instruments		**(0.5)**	(2.1)
Borrowings with group companies		**(7.0)**	(6.9)
		(53.6)	(49.3)
Net current assets		**74.4**	74.1
Total assets less current liabilities		**342.0**	300.7
Non-current liabilities			
Deferred tax liabilities	C8	**(0.4)**	(0.2)
Derivative financial instruments		**(0.1)**	(0.1)
		(0.5)	(0.3)
Total liabilities		**(54.1)**	(49.6)
Net assets		**341.5**	300.4
Equity			
Share capital	C13	**0.4**	0.4
Share premium account		**25.6**	23.9
Merger reserve	C13	**68.1**	68.1
Own shares	C13	**(3.2)**	(3.6)
Hedging reserve	C13	**0.1**	(0.1)
Retained earnings		**250.5**	211.7
Total shareholders' funds		**341.5**	300.4

The Company reported a profit for the financial year ended 30 June 18 of £57.8m (2017: £39.5m).

The financial statements of the Company (registered number 03509322) were approved by the Board on 7 September 2018 and signed on its behalf by:

Gavin Wood
Director

Company statement of changes in equity
For the year ended 30 June 2018

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total shareholders' funds £m
At 1 July 2016	0.4	21.5	61.6	(3.2)	(7.1)	188.5	261.7
Profit for the year	—	—	—	—	—	39.5	39.5
Other comprehensive income	—	—	—	—	7.0	—	7.0
Total comprehensive income	—	—	—	—	7.0	39.5	46.5
Issue of ordinary shares	—	2.4	6.5	(0.4)	—	(0.5)	8.0
Share-based payments inclusive of deferred tax	—	—	—	—	—	3.4	3.4
Purchase of own shares	—	—	—	—	—	(0.1)	(0.1)
Equity dividends	—	—	—	—	—	(19.1)	(19.1)
Balance as at 30 June 2017	0.4	23.9	68.1	(3.6)	(0.1)	211.7	300.4
Profit for the year	**—**	**—**	**—**	**—**	**—**	**57.8**	**57.8**
Other comprehensive income	**—**	**—**	**—**	**—**	**0.2**	**—**	**0.2**
Total comprehensive income	**—**	**—**	**—**	**—**	**0.2**	**57.8**	**58.0**
Issue of ordinary shares	**—**	**1.7**	**—**	**0.4**	**—**	**(0.5)**	**1.6**
Share-based payments inclusive of deferred tax	**—**	**—**	**—**	**—**	**—**	**3.7**	**3.7**
Purchase of own shares	**—**	**—**	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Equity dividends	**—**	**—**	**—**	**—**	**—**	**(22.1)**	**(22.1)**
Balance as at 30 June 2018	**0.4**	**25.6**	**68.1**	**(3.2)**	**0.1**	**250.5**	**341.5**

Notes to the Company financial statements
For the year ended 30 June 2018

C1. Basis of preparation
The Company is incorporated in the United Kingdom and the separate financial statements of the Company have been presented as required by the Companies Act 2006.

The financial statements have been prepared under the historical cost convention (as modified to include revaluation of certain financial instruments to fair value) and on the going concern basis (see note 1 to the Group financial statements). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' except for the departure explained in note C4.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- Business combinations.
- Share-based payments.
- Financial Instruments.
- Fair Value Measurement.
- Statement of Cash Flows.
- Certain related party transactions including those with subsidiaries.
- Certain plant, property and equipment disclosure.
- The effects of new but not yet effective IFRSs.

The basis for the above exemptions is because equivalent disclosures are included in the Group financial statements in which the entity is consolidated.

The adopted principal accounting policies, which have been applied consistently, are the same as those set out in note 3 to the Group financial statements except as noted below in respect of those which are Company specific.

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

Critical accounting judgements and estimates
The preparation of Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The critical accounting judgements and estimates have been set out in note 4 of the Group financial statements. These judgements have been applied consistently within the Company financial statements.

C2. Income statement
In accordance with the exemption permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year.

C3. Employees and remuneration
Details of Directors' remuneration, share-based payments and pension entitlements in the Remuneration report on pages 69 to 94 form part of these Company financial statements. Information on the main employee share-based payments is given in note 24 of the Group financial statements. Details of the key management personnel are given in note 27 of the Group financial statements.

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

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Management, administrative, marketing and distribution	**423**	405
Laboratory	**54**	76
	477	481

Their aggregate remuneration comprised:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Wages and salaries	**22.5**	23.1
Social security costs	**3.4**	2.2
Other pension costs	**1.8**	1.0
Charge in respect of share options and awards granted	**2.5**	2.6
Total staff costs	**30.2**	28.9
Capitalised staff costs	**(1.9)**	(3.9)
Net staff costs	**28.3**	25.0

C4. Goodwill

	30 June 2018 £m	30 June 2017 £m
Cost		
At beginning of year	**7.7**	7.7
Additions	**0.1**	—
At end of year	**7.8**	7.7
Accumulated impairment losses		
At beginning and end of year	**—**	—
Carrying amount	**7.8**	7.7

FRS 101 requires goodwill to be amortised, however, the Company has chosen not to do so but instead an annual impairment test is performed with any impairment identified being recognised as a charge to the income statement. This is a departure from the Companies Act 2006, for the overriding purpose of providing a true and fair view.

A finite life for the goodwill has not been identified, however, the effect of amortising over a useful life of 20 years would be an income statement charge of £0.4m (2017: £0.4m) and a reduction of £1.2m (2017: £0.8 m) in the carrying value of goodwill in the balance sheet.

Impairment review

Goodwill is tested for impairment on an annual basis in accordance with IAS 36 'Impairment of assets' or more frequently if there are any indications that the goodwill might be impaired. These reviews are carried out using the same criteria as set out in note 12 to the Group financial statements.

A sensitivity analysis has been performed on each base case assumption used for assessing the goodwill with other variables held constant. Consideration of the sensitivities to key assumptions can evolve from one financial year to the next. The Directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value in use.

C5. Intangible assets

	Acquisition intangibles						
	Customer relationships and distribution rights £m	Patents, technology and know-how £m	Licence fees £m	Sub-total £m	Internally developed technology* £m	Software £m	Total £m
Cost							
At 1 July 2017	1.7	0.4	0.5	2.6	—	26.5	29.1
Reclassification*	**—**	**—**	**—**	**—**	**13.4**	**—**	**13.4**
Additions	**0.5**	**—**	**10.4**	**10.9**	**2.2**	**17.8**	**30.9**
Disposals in year	**(0.2)**	**—**	**(0.2)**	**(0.4)**	**(0.3)**	**(0.1)**	**(0.8)**
At 30 June 2018	**2.0**	**0.4**	**10.7**	**13.1**	**15.3**	**44.2**	**72.6**
Accumulated amortisation							
At 1 July 2017	1.5	0.4	0.5	2.4	—	10.8	13.2
Reclassification*	**—**	**—**	**—**	**—**	**4.1**	**—**	**4.1**
Charge for the year	**0.2**	**—**	**0.4**	**0.6**	**0.5**	**1.5**	**2.6**
Disposals in year	**(0.2)**	**—**	**(0.2)**	**(0.4)**	**(0.3)**	**(0.1)**	**(0.8)**
At 30 June 2018	**1.5**	**0.4**	**0.7**	**2.6**	**4.3**	**12.2**	**19.1**
Carrying amount							
At 30 June 2017	0.2	—	—	0.2	—	15.7	15.9
At 30 June 2018	**0.5**	**—**	**10.0**	**10.5**	**11.0**	**32.0**	**53.5**
Included in carrying amount – Assets under construction							
30 June 2017	—	—	—	—	—	12.3	12.3
30 June 2018	**—**	**—**	**—**	**—**	**1.9**	**29.8**	**31.7**

* As described in note C6, 'Internally developed technology' relates to assets previously described as 'Hybridomas and Assays' and classified within property, plant and equipment.

Individually material intangible assets

Software assets under construction relate to the Group's new ERP system for which amortisation has yet to commence owing to the assets not yet having been brought into use. License fees assets relate to the Company's acquisition of an exclusive licence agreement with Roche as described in note 26 to the Group financial statements.

C6. Property, plant and equipment

	Laboratory equipment £m	Office fixtures, fittings and other equipment £m	Internally developed technology* £m	Leasehold Improvements £m	Total £m
Cost					
At 1 July 2017	6.9	6.1	11.5	1.7	26.2
Additions	**0.5**	**0.1**	**1.9**	**13.5**	**16.0**
Disposals	**(0.2)**	**(1.3)**	**—**	**—**	**(1.5)**
Reclassification*	**—**	**—**	**(13.4)**	**—**	**(13.4)**
At 30 June 2018	**7.2**	**4.9**	**—**	**15.2**	**27.3**
Accumulated depreciation					
At 1 July 2017	5.7	5.4	3.3	—	14.4
Charge for the year	**0.5**	**0.5**	**0.8**	**—**	**1.8**
Disposals	**(0.2)**	**(1.2)**	**—**	**—**	**(1.4)**
Reclassification*	**—**	**—**	**(4.1)**	**—**	**(4.1)**
At 30 June 2018	**6.0**	**4.7**	**—**	**—**	**10.7**
Net book value					
30 June 2017	1.2	0.7	8.2	1.7	11.8
30 June 2018	**1.2**	**0.2**	**—**	**15.2**	**16.6**
Included in net book value – Assets under construction					
30 June 2017	—	—	1.5	1.7	3.2
30 June 2018	**—**	**—**	**—**	**15.2**	**15.2**

* As scientific technology has continued to evolve, a review was undertaken during the year of the wider nature of the asset category previously described as 'Hybridomas and Assays' and in the first instance the category has been renamed 'Internally developed technology' to better reflect the broader nature of the assets. Secondly, it has been concluded that because, in most cases now, although a physical asset may still exist, because a genetic sequencing has since been performed, the value now lies within this sequencing and this is therefore intangible in nature. Accordingly, these assets have now been reclassified to intangible assets.

C7. Investments

Investments in subsidiary undertakings	**2017/18 £m**	2016/17 £m
At beginning of year	**137.2**	94.0
Capital contribution*	**0.5**	7.4
Purchase of shares in subsidiary undertakings	**—**	0.2
Allowances for impairment	**(1.7)**	—
Capitalisation of borrowings with subsidiary	**—**	35.6
At end of year	**136.0**	137.2

* Represents amounts for share based awards issued by the Company to employees of its subsidiaries. 2016/17 also included shares issued on behalf of subsidiaries as part of the consideration payable on acquisition.

Subsidiary undertakings
Directly held

	Registered office	Country of incorporation or registration	Principal activity
Abcam Australia Pty Limited	Level 16, 414 La Trobe Street, Melbourne, VIC 3000	Australia	Sales and distribution
Abcam KK	Sumitomo Fudousan, Ningyocho Bldg 2F, 2-2-1 Nihonbashi Horidomecho Chuo-ku Tokyo 103-0012	Japan	Sales and distribution
Abcam (Hong Kong) Limited	307, 3/F, Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories	Hong Kong	Sales and distribution
Abcam Taiwan Company Limited	7F. No 420 Fuxing N. Rd, Zhongshan District, Taipei City, 10476, Taiwan	Taiwan	Sales and distribution
Abcam US Group Holdings Inc	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808	USA	Holding company
Abcam Singapore Pte. Limited	77 Robinson Road, #13-00 Robinson 77, Singapore, 068896	Singapore	Sales and distribution
The Abcam Employee Share Benefit Trust Limited	330 Cambridge Science Park, Milton Road, Cambridge, CB4 0FL	England	Employee benefit trust
Ascent Scientific Limited	330 Cambridge Science Park, Milton Road, Cambridge, CB4 0FL	England	Dormant

Indirectly held

	Registered office	Country of incorporation or registration	Principal activity
Abcam (Hangzhou) Biotechnology Co., Limited	1418 Moganshan Road, Hangzhou Zhejiang, 310011	China	R&D and manufacturing
Abcam Trading (Shanghai) Co., Limited	Room 5401, Floor 4, Building 5, No. 338 Galileo Road, Pudong New Area, Shanghai	China	Sales and distribution
Abcam Inc	1 Kendall Square, Suite B2304, Cambridge, MA, 02139-1517	USA	Sales and distribution
Abcam LLC	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808	USA	Holding company
AxioMx Inc	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Epitomics Inc	National Registered Agents Inc, 160 Greentree DR Ste 101 Dover, Kent, DE 19904	USA	R&D and manufacturing
Firefly BioWorks Inc	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801	USA	R&D and manufacturing
MitoSciences Inc.	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801	USA	R&D and manufacturing
Epitomics Holdings, Inc	Corporation Service Company, 2711, Centerville Rd Suite 400, Wilmington, New Castle, DE 19808	USA	Holding company
Abcam (US) Ltd	330 Cambridge Science Park, Milton Road, Cambridge, CB4 0FL	England	Holding company

The Group's holdings in subsidiaries are all through ordinary shares and are all 100% owned.

C7. Investments continued

Subsidiary undertakings exempt from audit

The following subsidiaries, which are incorporated in England and Wales, are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of that Act:

Name	Company registration number
Ascent Scientific Limited	05366774
The Abcam Employee Share Benefit Trust Limited	06706259
Abcam (US) Ltd	08151375

C8. Deferred tax

	2017/18				2016/17			
	Accelerated capital allowances £m	**Share-based payment £m**	**Other temporary differences £m**	**Total £m**	Accelerated capital allowances £m	Share-based payment £m	Other temporary differences £m	Total £m
At beginning of year	**(0.2)**	**1.7**	**0.1**	**1.6**	(0.5)	2.6	2.0	4.1
Credit/(charge) to income statement	**(0.2)**	**—**	**(0.1)**	**(0.3)**	0.3	—	(0.3)	—
Credit/(charge) to equity	**—**	**0.7**	**—**	**0.7**	—	(0.9)	(1.6)	(2.5)
At end of year	**(0.4)**	**2.4**	**—**	**2.0**	(0.2)	1.7	0.1	1.6

Deferred tax balances are comprised as follows:

	30 June 2018 £m	30 June 2017 £m
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**1.7**	1.6
Deferred tax assets to be recovered within 12 months	**0.7**	0.2
	2.4	1.8
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**(0.4)**	—
Deferred tax liabilities to be recovered within 12 months	**—**	(0.2)
	(0.4)	(0.2)
Deferred tax assets (net)	**2.0**	1.6

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability or asset is expected to be realised based on rates enacted or substantively enacted by the reporting date.

C9. Loans receivable

	30 June 2018 £m	30 June 2017 £m
Amounts owed by subsidiary undertakings	**51.3**	52.0

Comprising:

	Borrower	Principal $m	Repayment date	Interest rate	**30 June 2018 £m**	30 June 2017 £m
Term loan 1	Abcam US Group Holdings Inc	33.0	20 Dec 2019	7.34%	**25.1**	25.4
Term loan 2	Abcam US Group Holdings Inc	34.0	20 Dec 2019	8.69%	**25.8**	26.2
Other loans	Various	Various	Various	Various	**0.4**	0.4
					51.3	52.0

Changes in the values of each loan include foreign exchange movements and settlements.

C10. Inventories

	30 June 2018 £m	30 June 2017 £m
Raw materials	**0.3**	0.3
Work in progress	**0.2**	0.2
Finished goods	**21.0**	14.8
	21.5	15.3

C11. Trade and other receivables

	30 June 2018 £m	30 June 2017 £m
Amounts receivable for the sale of goods and services	**6.7**	6.8
Amounts owed by subsidiary undertakings	**21.5**	19.1
Other receivables*	**8.4**	6.9
Prepayments	**1.9**	1.3
	38.5	34.1

* Other receivables includes £5.2m (2017: £6.1m) held in escrow to fund payments to be made to contractors in respect of the construction of the Group's new global headquarters at the Cambridge Biomedical Campus.

The carrying amount of trade and other receivables approximates their fair value.

C12. Trade and other payables

	30 June 2018 £m	30 June 2017 £m
Trade payables	**5.9**	6.1
Amounts owed to subsidiary undertakings	**6.9**	13.9
Accruals	**19.1**	17.5
Other taxes and social security	**1.0**	1.2
Other payables*	**11.8**	—
	44.7	38.7

* Other payables includes £11.8m (2017: £nil) relating to the outstanding consideration payable to Roche in respect of the acquisition described in note 26 of the Group financial statements.

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

C13. Share capital and reserves

Details of share capital and reserves are set out in note 21 to the Group financial statements.

C14. Commitments

The Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 June 2018 £m	30 June 2017 £m
Total undiscounted future committed payments falling due:		
Within one year	**5.3**	1.1
Between one and five years	**17.6**	0.5
After five years	**52.0**	—
	74.9	1.6

Future capital expenditure

	30 June 2018 £m	30 June 2017 £m
Contracted for but not provided	**5.8**	6.2

C15. Dividends

Details of amounts recognised as distributions to shareholders in the period and those proposed are set out in note 22 to the Group financial statements.

C16. Related party transactions

Directors' transactions

The remuneration of the Directors is set out in the Remuneration report on pages 69 to 94. Related party transactions relating to a Director of the Company are shown in note 27 to the Group financial statements.

Five year record – unaudited

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Income statement – Adjusted performance measures					
Revenue	**233.2**	217.1	171.7	144.0	128.0
Percentage change	**7.4%**	26.4%	19.2%	12.5%	4.7%
Adjusted EBITDA	**88.3**	73.3	60.0	54.1	50.0
Depreciation and amortisation	**(7.0)**	(8.9)	(6.4)	(4.9)	(3.4)
Adjusted operating profit	**81.3**	64.4	53.6	49.2	46.6
Adjusted profit before tax	**81.6**	64.6	53.8	49.6	46.8
Taxation	**(14.9)**	(12.6)	(8.6)	(9.8)	(10.7)
Adjusted profit after tax	**66.7**	52.0	45.2	39.8	36.1
Adjusted earnings per share					
Basic	**32.7p**	25.7p	22.5p	19.9p	18.2p
Diluted	**32.4p**	25.5p	22.4p	19.8p	18.1p
Free Cash Flow	**26.8**	41.3	31.7	32.7	33.9
Return on capital employed* (ROCE)	**22.2%**	19.6%	18.1%	21.5%	24.6%

* The Group calculates ROCE on a pre-tax basis using adjusted operating profit. Capital employed is based on total assets less current liabilities.

Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are therefore non-GAAP (or alternative) performance measures. These are set out as follows:

- CER is a measure which allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements which are outside of management's control.
- EBITDA is a metric used to provide an approximation of cash generation from operating activities and is reconciled to its IFRS equivalent profit metric in note 7 to the financial statements.
- Margin percentages (which are calculated by dividing the relevant profit figure by revenue) for each of the relevant profit metrics provide management with an insight into relative year-on-year performance.
- Adjusted profit measures, as described in note 1(c) to the financial statements, are believed by the Directors to enable a reader to obtain a fuller understanding of underlying performance since they exclude items which are not reflective of the normal course of business. Furthermore, such measures are reflective of how performance is measured internally including targets against which compensation is determined. Adjusted profit measures are derived and reconciled to their reported IFRS equivalent on the face of the consolidated income statement as well as in note 7 to the financial statements.

  Key adjusted income statement measures are: adjusted EBITDA, adjusted operating profit and adjusted profit before tax.

  Adjusting items (which are excluded to arrive at adjusted performance measures) are also described on the face of the income statement and in note 7 to the financial statements.
- Adjusted earnings per share measures are derived from adjusted profit before tax with the rationale for their use being the same as for adjusted profit metrics and are reconciled to their IFRS equivalent in note 11 to the financial statements.
- Free Cash Flow is defined on the face of the consolidated cash flow statement and provides management with an indication of the amount of cash available for discretionary investing or financing after removing capital related items.

Technical glossary

Agonists, Antagonists, Activators and Inhibitors (AAAI)
Biochemicals which activate or inhibit biological pathways.

Affinity Binder
A reagent that binds specifically to an antigen – antibodies are a subset of affinity binders.

Antibody
A protein made by the immune system that binds specifically to an antigen. When an antibody detects this antigen in the body, it will contribute to an immune response to rid the body of the antigen.

Amino acids
The basic building blocks of proteins and peptides.

Antigen
A molecule that is recognised by the immune system and which can be specifically bound by an antibody.

Assay
A laboratory test for assessing the presence, amount or functional activity of a chemical or biological molecule.

Biological pathway
A series of molecular interactions that leads to a change in a cell in response to a stimulus. For example, biological pathways can trigger the assembly of new molecules, turn genes on and off, or spur a cell to move.

Biomarker
A measurable indicator of a biological state or condition. For example, increased amounts of a particular protein in a blood sample may indicate the presence of a particular disease.

Biological therapeutics
Any pharmaceutical drug product manufactured in, extracted from, or semi-synthesised from biological sources. Different from totally synthesised pharmaceuticals, they include vaccines, blood, blood components, allergenics, somatic cells, gene therapies, tissues, recombinant therapeutic protein, and living cells used in cell therapy.

Conjugated antibody
Antibodies that are chemically bound to molecules that enable detection of the antibody. For example, an antibody might be bound to a fluorescent dye.

CRISPR CAS9
An experimental technique allowing effective and specific editing of genetic sequences.

DNA
Deoxyribonucleic acid – a polymeric molecule that comprises both the coding and non-coding elements of the genome of an organism. Coding elements are transcribed into RNA, while non-coding elements exert cellular control functions.

ELISA
Assay that uses antibodies to detect and quantify proteins and peptides in a biological sample. Acronym for enzyme-linked immunosorbent assay.

Epigenetics
The study of changes in organisms caused by modification of gene expression rather than alteration of the genetic code itself.

ERP
Acronym for Enterprise Resource Planning. It refers to business process management software that allows an organisation to use a system of integrated applications to manage the business and automate many back-office functions related to technology, services and human resources.

Gene
A section of DNA that acts as the blueprint for making a particular protein. Every human being (except identical twins) has a unique set of genes, half of which came from their mother and the other half from their father.

Immunohistochemistry (IHC)
The process of selectively imaging antigens (proteins) in cells of a tissue section by exploiting the principle of antibodies binding specifically to antigens in biological tissues

Immunoassay
A test that uses the binding of antibodies to antigens to detect and quantify a biological molecule in a sample.

In vitro
Describes studies that are performed with microorganisms, cells or biological molecules outside their normal biological context. For example, an in vitro experiment might involve extracting a blood sample from a patient and performing an assay on that sample in a test tube.

In vivo
Describes a biological process that takes place in a living cell or organism, including animals and plants.

In vitro diagnostics (IVD)
Tests done on samples such as blood or tissue that have been taken from the human body. In vitro diagnostics can detect diseases or other conditions, and can be used to monitor a person's overall health to help cure, treat, or prevent diseases

Kits and assays
Multi-component products comprising antibodies and other reagents that can be used to detect a wide range of biological molecules.

Knockout cell lines
A cell line that has had a particular gene removed (or 'knocked out'). The protein that the knocked-out gene encodes for is therefore not produced.

Lysate
The fluid produced by lysis of cells and tissues. Lysates are used as controls in biological experiments to confirm the absence or presence of proteins of interest.

Lysis
The disruption of cells by mechanical, chemical or enzymatic means.

M-phase phospho-proteins
A family of proteins with diverse roles in cellular signalling and gene expression.

Matched antibody pairs
A pair of antibodies that binds to an individual protein at different sites, meaning that both antibodies of the pair can bind the protein at the same time. Matched antibody pairs are used in assays such as ELISA.

microRNA or miRNA
Small RNAs that are involved in regulating gene expression.

Monoclonal antibodies
Identical antibodies derived from a group of identical cloned cells or from an expression vector. Monoclonal antibodies recognise only one kind of antigen, i.e. they bind to the same site on a protein.

Multiplex immunoassays
Immunoassays that can detect multiple proteins at once within a single sample. They allow scientists to increase the efficiency and scope of their experiments.

Transactional (or Touchpoint) Net Promoter Score or tNPS
A management tool that can be used to gauge the loyalty of a company's customer relationships. It serves as an alternative to traditional customer satisfaction research and can be correlated with revenue growth.

Next generation sequencing
An experimental technique allowing high throughput analysis of genetic sequences. Used by Abcam to analyse the immune response to select the best monoclonal antibodies for a given target or application.

Technical glossary continued

Peptides
Short chains of amino acids.

PD-L1
Acronym for programmed death-ligand 1. It is a protein that plays a major role in suppressing the immune system and is an important target in difficult to treat cancers.

Phage Display
A technique for affinity binder discovery using viruses and bacteria in vitro, rather than the immune system of a live animal.

Polyclonal antibodies
Antibodies that target the same antigen but are derived from different cell lineages. Polyclonal antibodies bind to different sites on the antigen.

Polycomb proteins
A family of proteins first discovered in fruit flies that regulate epigenetic processes to drive cellular differentiation, critical in development.

Proteins
Large, complex molecules made up of amino acids. Proteins are required for the structure, function and regulation of the body's tissues and organs.

RabMAb®
Abcam's patented technology for the generation of high quality rabbit monoclonal antibodies.

Rabbit/recombinant monoclonal antibodies
Antibodies made by cloning DNA sequences from cell lines that produce rabbit monoclonal antibodies. Cloned recombinant antibodies are identical and are therefore not susceptible to lot-to-lot variation.

Reagent
A product used in an experiment to detect or measure biological processes.

Recombinant
An antibody or protein that is synthesised from modified DNA in an artificial system that permits rapid production of large quantities of the protein.

RNA
Ribonucleic acid – a polymeric molecule that is transcribed from DNA. Various forms of RNA are involved in protein synthesis.

Specificity
This refers to the ability of an antibody to bind only the desired antigen.

SimpleStep ELISA® kits
Kits that deliver fast results in just 90 minutes by reducing antibody and sample additions to a single step.

Corporate directory

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Shareholder information

Shareholder enquiries
Any shareholder with enquiries should, in the first instance, contact our registrar, Equiniti Limited, using the address provided in the Corporate Directory.

Share price information
London Stock Exchange Alternative Investment Market (AIM) symbol: ABC.

Information on the Company's share price is available on the Abcam investor relations website at www.abcamplc.com.

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Financial calendar

Financial year end	30 June 2018
Full year results announced	10 September 2018
Annual General Meeting	6 November 2018
Ex-dividend date for final dividend	8 November 2018
Record date for final dividend	9 November 2018
Final dividend payment	30 November 2018

The Abcam Group's commitment to environmental issues is reflected in the production of this Annual Report.

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