abcam

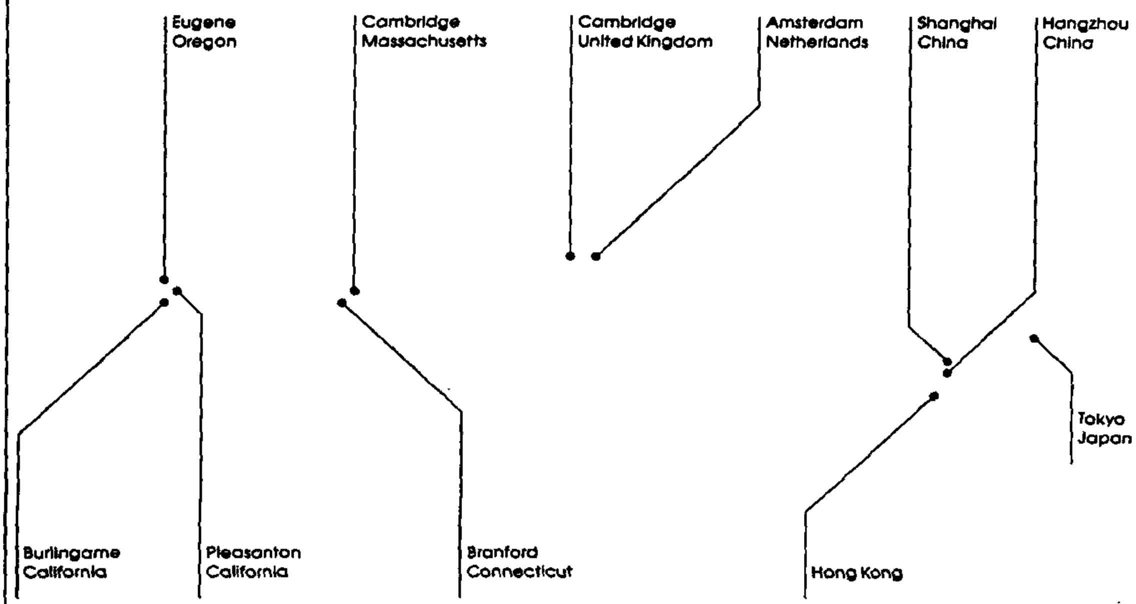
Annual Report and Accounts 2019

Registered number
3509322

Serving scientists,
sustaining growth.

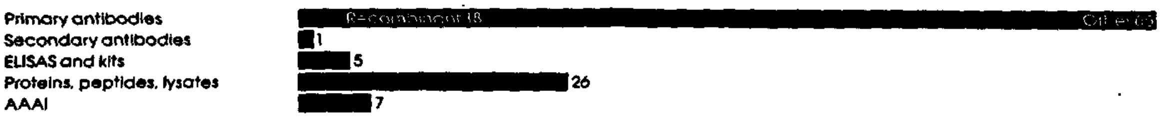
A global leader in the supply of life science research tools

Global locations



Research and development
Distribution
Customer Services (Cx)
Custom Solutions

Catalogue products by type, 000s



Group revenue, £m

Recombinant antibodies
Other antibodies
Immunoassays
Other catalogue products
Custom Products & Licensing

Share of global primary antibody research citations (2018)[1]
21%

Employees
1,155

PhDs
212

1 Source: CiteAb.

Related investor presentations
Abcam plc regularly updates its stakeholders through the website.

Please visit abcamplc.com for further information.

Cover image
Visualising PD-L1 in cells: PD-L1 is involved in suppressing certain immune responses and is a key target for cancer therapies. These therapies aim to reduce PD-L1 levels in cancer cells, preventing them from 'hiding' from the immune system.

Abcam

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

Operational and strategic highlights

- All product categories growing above underlying market rates and all strategic performance targets achieved
- Continued in-house innovation, with in-house product revenue growth of 13.6% (CER) and the introduction of the Group's 18,000th recombinant antibody
- Further enhancements to product quality through knockout validation, recombinant antibodies, and other quality initiatives
- Ongoing development of our addressable market in custom products and licensing, with 57 new agreements entered into with biopharmaceutical and diagnostic partners and over 160 custom projects completed during the year
- Implemented the financial and non-stock procurement modules of the Oracle Cloud ERP IT system
- Successfully relocated to our new global headquarters
- Acquisition of Calico Biolabs, expanding expertise in recombinant rabbit monoclonal antibody development

Contents

Financial highlights

Total revenue ↗
£259.9m +11.4%

Gross margin ↗
70.5% +0.6%pts

Adjusted EBITDA margin ↘
35.6% -2.3%pts

Adjusted profit before tax ↗
£83.9m +2.8%

Reported profit before tax ↘
£56.4m -18.4%

Adjusted diluted earnings per share ↗
32.6p +0.6%

Reported diluted earnings per share ↘
21.8p -27.8%

Total dividends ↗
12.13p +1.1%

Return on capital employed (ROCE) ↘
20.8% -2.4%pts

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 141. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in note 7 to the consolidated financial statements.

Empowering scientists to their next breakthrough

Our purpose – to serve life scientists to help them achieve their mission, faster – drives everything we do.

By providing life scientists with critical biological tools and reagents needed for research, drug discovery and diagnostics, we are helping advance scientific discovery, resulting in better health outcomes and improving lives.

We recognise that we succeed only because we help our customers achieve their goals, faster. We are committed to increasing and improving the ways in which we are able to support life scientists and achieving this in a way that benefits our shareholders and our other stakeholders.

As we continue to execute our strategy to deliver sustainable performance and growth, our culture will help drive success.

We will – continue to dedicate ourselves to our customers, anticipating and responding to their needs in order to deliver an exceptional experience; be audacious in our approach to innovation and in finding solutions to existing and new biological questions; and earn trust by delivering quality products and services with agility and speed, executing on our plans and, at all times, acting responsibly and with integrity.

Alan Hirzel
Chief Executive Officer

Dedicated to excellence

How Abcam's scientists are helping the research community move closer to a cure for Parkinson's disease.

Today, there are over six million people around the world living with Parkinson's disease.

Through true partnership, Abcam and the Michael J Fox Foundation have shown unwavering commitment and dedication to co-creating innovative tools that are helping to accelerate Parkinson's research across the global community.

To date, the partnership has put over 50 new antibodies into the hands of the global research community, which have been cited in over 150 peer-reviewed research papers.

This research is generating insights that will one day support finding a cure for this condition.

Visit abcam.com/neuroscience/parkinsons-disease to find out more

Audacious innovation

How an audacious approach to innovation is helping advance research in rare disease areas with high unmet medical need.

Around the world, researchers and organisations are working hard to better understand the estimated 7,000 rare diseases that impact human health, defined as those that impact fewer than 1 in 2,000 people.

This bold, pioneering work is shedding new light on these disorders, informing and supporting the development of new therapies and treatment – although ready access to effective research tools is often a challenge, holding back faster progress.

One such organisation is the Loulou Foundation, which is focused on finding a cure for CDKL5 Deficiency Disorder (CDD), involving the mutation of a gene essential for normal brain development and function. The lack of quality research reagents for CDKL5 has been a significant hurdle to the understanding of the biology of this devastating disorder, and to the development of effective therapies.

By combining the technical expertise of our teams with the disease-specific expertise of groups, like the Loulou Foundation, we are helping to support effective rare disease research through the innovation of precision research tools.

Visit abcam.com/Loulou to find out more about Abcam's partnership with The Loulou Foundation

Embracing agility

How an agile approach to new product development is helping increase our knowledge of epigenetics.

Epigenetics is defined as the study of heritable changes of DNA, not involving changes in a DNA sequence, that regulate gene expression. Whilst the study of epigenetics has been around for many years, its impact on biology and human disease is still largely unknown. What is known is that epigenetics is disease agnostic, with new and varied biomarkers being identified on a daily basis that are common to diseases as diverse as cancer and neurodegeneration.

Abcam was proud to be one of the first reagent suppliers to bring antibodies to the market to assist the study of epigenetic modifications to RNA. These tools are enabling the global research community to uncover insights and unlock this complex area of biology.

During the year we launched 25 antibodies to modified RNA. These products join over 3,000 others across our various ranges that are helping to support the study of epigentics. Interactive partnerships with leading academic experts have allowed us to respond at pace to meet this expanding demand.

Visit abcam.com/epigenetics to find out more about Abcam's range of antibodies supporting epigenetics research

Dear Shareholder,

It is my pleasure to introduce Abcam's 2019 Annual Report, which sets out the continued financial and strategic progress made by the Company over the past 12 months, as well as our plans and priorities for the future.

"

Abcam has made good progress, both financially and strategically, over the past 12 months. We have continued to successfully implement our growth strategy whilst strengthening the organisation's underlying capabilities to deliver further growth in the future.

Peter Allen
Chairman

I am pleased to report that Abcam has made good progress, both financially and strategically, over the past 12 months. We have continued to successfully implement our growth strategy whilst strengthening the organisation's underlying capabilities to deliver further growth in the future.

Financial performance
We are pleased to report an 11.4% increase in revenue to £259.9m (2017/18: £233.2m), representing growth of 9.2% on a constant currency (CER)[1] basis and an increase in adjusted[2] profit before tax of 2.8% to £83.9m (2017/18: £81.6m).

On a reported basis, profit before tax declined by 18.4% to £56.4m (2017/18: £69.1m), predominantly due to a non-cash impairment charge of £12.8m relating to historical costs associated with the ERP system. Free Cash Flow[3] increased to £34.3m (2017/18: £26.8m) and we ended the year with net cash of £87.1m (2017/18: £90.2m) after investing close to £50m on acquisitions, R&D and major capital projects.

Implementing our strategy to sustain growth: Five-year plan to 2023/24
Investment in the business over the last five years, which has seen us deliver on our strategy and generate significant value to our shareholders, has laid the foundation for growth in 2019/20 and beyond, as well as highlighting numerous new opportunities.

To ensure we can take full advantage of these opportunities and remove constraints to growth, the Board conducted an in-depth review of our strategy and investment plans during the year. This resulted in a new five-year plan being developed, which provides for an increase in the pace of investment over the medium term.

The investment will see us increase our capacity for innovation and new product development, improve our IT infrastructure and global supply chain to meet the demands of a global business and enhance our digital platform and capabilities, improving our customers' experience.

Thoughtful partnerships and acquisitions can accelerate this trend and we are confident that these organic and inorganic investments will drive further growth and value for shareholders over the coming years.

Dividend
The Group's strong balance sheet and cash generation capability has allowed the Directors to propose an increase in the dividend for the year. Subject to approval at the AGM on 13 November 2019, the Board proposes to pay a final dividend of 8.58 pence (2017/18: 8.58 pence) per share.

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 consolidated 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.

Together with the interim dividend of 3.55 pence per share paid on 12 April, this makes a total dividend for the year of 12.13 pence (2017/18: 12.00 pence) per share, representing an increase of 1.1% compared to last year. If approved, the final dividend will be payable on 29 November 2019 to shareholders of record at the close of business on 8 November 2019. The ex-dividend date is 7 November 2019.

Board changes and governance
Following a rigorous recruitment process for a Non-Executive Director, Giles Kerr was appointed to the Board in December 2018. Giles brings extensive experience as both an Executive and Non-Executive Director. His appointment strengthens the Abcam Board as he brings experience of life sciences, finance and first-hand understanding of our academic research customers.

On 19 July 2019 Gavin Wood notified the Board of his intention to step down at the end of his notice period, or when we appoint a successor. The Board appreciates the work Gavin has achieved in the previous three years but recognises his desire to be closer to his family in Oxford.

On 6 September 2019 Sue Harris notified the Board that she would not be seeking re-election at the 2019 AGM. Sue has played an important role in chairing the Audit and Risk Committee to high standards over the last five years. The Board thanks her for support in performing this critical leadership role.

Abcam remains committed to high standards of governance and continues to comply with almost every principle and provision of the UK Corporate Governance Code. In addition, we maintain a robust framework of systems and controls to maintain high standards throughout the Company, more details of which can be found in the Directors' Report.

The Board strongly 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.

Recognition and thanks
Finally, I would to pay tribute to our colleagues around the world for their continued dedication and hard work, as well as our customers, suppliers, business partners and shareholders for their continued support over the last year.

Sincerely,

Peter Allen
Chairman
6 September 2019

Chief Executive Officer's review and operational report

Dear Shareholder,

The life science industry is vibrant, with increased research funding and capital investment supporting collaborative and global discovery networks.

Those research discovery networks – spanning genomics, epigenetics, proteomics and metabolomics – are converting physical biology into data at an unprecedented rate at a time when we are approaching unconstrained computing power. The insights from this data are not fully realised, and yet this progress is already producing rapid advances in scientific discovery and improving patient lives. Indeed, we expect the impact of the endeavours of researchers today to redefine how we will be treated in the future.

> "I am proud of what we have accomplished in 2019. Together, we successfully implemented our growth strategy to become a stronger partner for our customers. For our team, we continued to enhance our culture to be an even better place to work. For our shareholders, we delivered a solid financial performance, positioning our Company for an exciting future.
>
> **Alan Hirzel**
> **Chief Executive Officer**

In this context we are proud of the role Abcam plays in serving scientists and the success for our Company. We have achieved a great deal in the five years since the launch of our invest-to-grow strategy in 2014. Our commitment to product innovation, quality and our customers has seen us strengthen our position in our core markets and provide greater choice to researchers through the addition of new product lines. In doing so, we have doubled our revenue and delivered strong returns to our shareholders.

Driven by our purpose and with the confidence in our ability to sustain success, we have taken the opportunity to review our plans for the next phase of Abcam's development and growth. It is an exciting time for our industry, and we believe we are ideally positioned to increase our influence and impact whilst creating further value for our stakeholders.

Serving science; sustaining growth
Abcam exists to pursue two aims. The first is to realise our purpose: to serve life scientists to achieve their mission, faster. The second is to build a sustainable enterprise that creates value for all stakeholders and makes it possible for us to do more at a greater scale and wider impact.

As we seek to realise these aims, we take a multi-decade view of our strategy and objectives. Abcam's work to support customers on the cutting edge of discovery today is the seedbed for improvements to human health and lifestyles 10 to 20 years from now. With two decades behind us, we are now at a point where researchers know they can trust our capabilities and quality to accelerate the impact they will have on patients' lives.

A dedicated team delivering for customers
Our more than 1,150 colleagues around the world are vital to the delivery of our purpose and the continued success of our business. I am proud of what they have accomplished in 2019. Together, we successfully implemented our growth strategy to become a stronger partner for our customers. For our team, we continued to enhance our culture to be an even better place to work. And for our shareholders, we have delivered a solid financial performance, positioning our Company for an exciting future.

As our global impact and influence continues to grow, it encourages each of us to keep improving what we do for science and how we build our business. Everything we do is anchored in the belief that customers provide the urgency and direction for our business. It is this belief that drives us forward in our efforts to build a culture and implement a strategy that ensures we continue to delight our customers, develop our team and execute against our plans, at all times acting with responsibility and integrity.

Our performance in 2019
We delivered another solid financial performance in 2018/19, with total revenue growth of 11.4% on a reported basis and 9.2% on a constant currency basis. On a reported basis, Catalogue revenue rose 12.0% to £242.8m whilst Custom Products & Licensing revenue rose 4.3% to £17.1m.

Adjusted profit before tax rose 2.8% to £83.9m, whilst reported profit before tax decreased to £56.4m (2017/18: £69.1m) due mainly to the non-cash impairment charge of £12.8m relating to historical costs associated with the ERP system. We continue to be highly cash generative, with net cash inflow from operating activities of £70.2m (2017/18: £63.3m). Return on capital employed remained above 20%.

Sustained positive catalogue revenue growth came from continuing to gain share in each of our global markets. This part of our business is maintaining growth at approximately twice market rates. The drivers of this growth arose from our success in expanding our quality product range in recombinant antibodies and continuing to build out immunoassays as a new business line.

Whilst our overall revenue growth was impacted by Custom Products and Licensing (CP&L), two observations give us confidence we are on the right track for this part of our business:

1. The 'Abcam Inside' strategy is working – that is, allowing our products to be used by partners beyond research in the development of clinical products that will help patients across the globe. In 2018/19 we executed 57 agreements with diagnostic and biopharmaceutical organisations that have the potential to lead to new diagnostic tools and completed over 160 projects; and
2. It is still early in the development of the economic model. For the full year the increase in revenue from licences, royalties and supply agreements (contributing approximately 70% of CP&L revenue) was offset by a decline in revenue generated from custom projects.

Our successes, as well as our strength in customer engagement, are seen most clearly in our strategic performance indicators where the business achieved each of the targets it set out at the start of the year:

Strategic Performance Indicators

	2018/19 target	Actual
Recombinant revenue growth[1]	>20%	**22%**
Immunoassay revenue growth[1]	>20%	**22%**
Customer engagement: tNPS[2]	57–67%	**59%**

1 Constant exchange rate (CER).
2 In November 2018, the Company appointed a new tNPS survey partner. As a consequence of this, the mechanism by which customer feedback is obtained changed and resulted in a tNPS outcome that is approximately 10% lower than under the previous mechanism.

	Reported revenue 2019 £m	2018 £m	Increase	CER growth rate
Catalogue revenue by product:				
Primary and secondary antibodies	**193.2**	174.5	*10.7%*	*8.7%*
of which recombinant antibodies	59.1	48.0	*23.1%*	*22.4%*
Other products[1]	**49.6**	42.3	*17.3%*	*14.7%*
of which immunoassay products	18.5	15.0	*23.3%*	*21.9%*
Catalogue sub-total	**242.8**	216.8	*12.0%*	*9.8%*
Custom Products & Licensing (CP&L)[2]	**17.1**	16.4	*4.3%*	*0.4%*
Total reported revenue	**259.9**	233.2	*11.4%*	*9.2%*

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.

Alongside delivery of our strategic goals, I am pleased with the successful accomplishment of many business building objectives for the year, including the following select highlights:

- Introduction of our 18,000th recombinant antibody to the market
- Successfully launched several projects and partnerships with biopharma and diagnostic customers that have the potential to take discoveries beyond research and into products that will help patients across the globe ('Abcam Inside'), including:
  - Licensed our Pan-TRK antibody (clone EPR1734) for use in Roche Diagnostics' IHC kit for N-TRK gene fusion positive cancers;
  - Licensed a second PD-L1 antibody (clone 73-10) in Leica's BOND platform;
  - Entered into a partnership with NanoString Technologies to supply Abcam's recombinant monoclonal antibodies for the GeoMx Digital Spatial Profiler platform; and
  - Entered a strategic agreement with Qiagen (Suzhou) to co-develop companion diagnostic and in-vitro diagnostic reagents and kits for the Chinese market;
- Expanded and enhanced our executive leadership team with the addition of Dr Cheri Walker as SVP of Corporate Development and Jac Price as SVP of Supply Chain and Manufacturing;
- Acquired and integrated Calico Biolabs, enhancing our antibody capabilities and expanding our recombinant antibody portfolio;
- Implemented an award-winning all-employee share ownership scheme;
- Successfully moved into our new global headquarters in Cambridge, UK, on budget and without disruption to customers; and
- Completed the transition of our financial and non-stock procurement operations to our cloud-based ERP platform.

Upgrading our IT systems
With the installation of the latest modules of our global ERP system, we have concluded the programme that initiated in 2015/16 to provide more scalable back-office systems at Abcam. Many global functional areas have been improved by the programme including process and data management in Human Resources, Customer Experience, Finance and non-stock Procurement. We are already seeing benefits to scale, better data and better controls from these changes.

Manufacturing and Warehouse Management remain functional areas not yet addressed by this IT upgrade programme. Following an extensive review of business requirements and the current state of Oracle Cloud software as well as other best in class software providers, we have decided to make some changes to the approach and software used in these areas.

As we also look to improve our customers' end-to-end experience, including our website, it would be a missed opportunity to address these areas discretely. Accordingly, we intend to integrate improvements in the remaining functional areas with enhancements to our front-end system to further improve our customers' overall experience.

Removing constraints and increasing the potential of our business
We are now five years into the strategy set out in 2014, which included the following five strategic objectives to guide our business activities and deliver efficient growth:

- Sustain antibody and digital marketing leadership;
- Expand in related growth markets;
- Invest in operating capabilities to double our scale;
- Sustain attractive economics; and
- Supplement organic growth through acquisitions and partnerships.

In the five years since, we have achieved much in the pursuit of those goals. Today, Abcam is the top cited company for approximately 40% of the 2,000 protein targets most studied in global academic research, up from 22% in 2013 (source CiteAb). We have doubled the revenue of the business, successfully launched adjacent product lines that our customers need, invested in our people, processes and operations and delivered healthy returns to our shareholders.

Whilst it is tempting to pause and celebrate our past, and I am certainly proud of what the team has accomplished, I prefer to look at the Company as if we were just getting started. We have a backlog of attractive ideas to grow our sales and global influence whilst creating value for shareholders, customers and other stakeholders.

When we talk about our business strategy and what it will take to remove constraints and do more, we focus on two main elements: converting ideas to innovation and scaling up efficiently to sustain growth.

Converting ideas to innovation: As the percentage of Abcam's total revenue from products developed internally (including CP&L) has grown from approximately 12% at the time of the Company's IPO in 2005 to almost 50% today, the nature of how we innovate has changed considerably. Abcam's scientific skills have grown exponentially in that period. Today, our main constraint tends to be putting the right scientific and commercial teams in place to bring new ideas successfully to market.

Scaling up to sustain growth: This is Abcam's capacity as an organisation to scale efficiently, grow and lead successful change; both in bringing innovation to market and in business building. As a high growth business this capacity is always constrained, with solutions that may have worked in the past requiring rapid improvement or replacement.

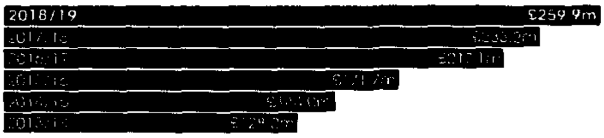
Investing in our future: new five-year plan to 2024

The fundamentals of our business are strong, and the medium- and long-term prospects of our markets are attractive. As a result, we are challenging ourselves to increase our rate of investment to accelerate the implementation of initiatives that will allow us to seize more of the market opportunities for growth. These initiatives and our investment priorities are focused on the following long-term goals, representing our three-pillar strategy for sustainable growth:

1. **Sustain and extend antibody and digital leadership**
- Antibody innovation and validation: supporting the creation of best in class binders to high value targets, pathways and research areas; and
- E-commerce and digital: Our website, search engine optimisation and data have been a major strategic advantage. We now see opportunities to make step changes to improve the customer experience and enhance our competitive position over the next five years.

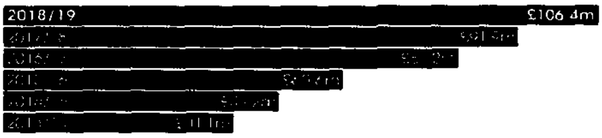
Group revenue

£259.9m



Revenue from in-house products (catalogue)

£106.4m



2. Drive continued expansion into complementary market adjacencies
- Immunoassays: further development of our proprietary portfolio of high-performance products;
- Proteomic reagent innovation: extending our proprietary offering in adjacent life science reagents where doing so will also strengthen our antibody development capabilities, for example in recombinant proteins, cell lines and lysates, and imaging and multiplexing consumables; and
- 'Abcam Inside': building our reputation and leveraging our unique capabilities as an antibody discovery partner for biopharmaceutical and diagnostic organisations.

3. Build organisational scalability and sustain value creation
- Removing operational constraints to growth: including replacing the final areas of legacy IT systems, automation at process bottlenecks, simplification of our global facilities footprint and enhancement of our talent; and
- Realising operational improvements and efficiencies.

At the same time, we will continue to focus on the selective pursuit of acquisitions to supplement our organic growth and fill capability gaps. We are excited by the potential impact on biomedical research, human health and the financial returns these investments will have over the long term.

Looking forward
The dynamics of the markets we serve remain positive. The investments we have made and will continue to make are enabling Abcam to sustain profitable growth and achieve the strategic and financial targets we have set for ourselves.

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

Sincerely,

Alan Hirzel
Chief Executive Officer
6 September 2019

Updated Strategic Performance Indicators, new long-term and 2019/20 outlook

Updated Strategic Performance Indicators:
Aligned to these plans, we have revised our strategic performance indicators moving into 2019/20 to reflect the strategic direction of the business and our updated goals:

Updated Strategic KPIs	2019/20 target
Catalogue revenue growth from in-house products[1]	12–15%
Customer engagement: transactional NPS	54–60%

1 At constant exchange rates.

Long-term outlook to 2023/24:
We are also providing the following long-term outlook which demonstrates our focus on growing our businesses while continuing to aim for attractive margins and returns:

Financial Metric	2023/24 outlook
Revenue[1,2]	£450m–£500m
Adjusted operating profit margin[3,4]	Low 30s %
Pre-tax Adjusted ROCE[3]	Above 18%
Total 2020–24 Capex[4]	£175m–£225m

1 At constant exchange rates.
2 With an accelerating level of growth through the period.
3 Proforma for impact for IFRS 16.
4 Contingent upon the phasing of existing plans and future projects.

2019/20 outlook:
The new financial year has started in line with our expectations and for the full year we currently expect revenues to be between £288–294m[1], equivalent to a constant currency growth rate of approximately 9–11%. Whilst profit margins over the next few years will be partially dependent on the phasing of investment behind our plans, we anticipate our adjusted operating profit margin in 2019/20 to be 25–28% as a result of planned scaling and growth investments, whilst capital expenditure is expected to be £30–50m.

1 At the following budgeted foreign exchange rates to Pound Sterling: USD: 1.27; EUR: 1.12, RMB: 8.72; JPY, 134.

Related material
Our strategic priorities – pages 28 to 31

Related content
Key performance indicators – pages 32 to 35

Market overview

We live in a period of rapid expansion of biological knowledge. Daily breakthroughs are being made in mankind's understanding of how cells operate in health and disease.

These advances are possible because of rapid growth in understanding of the role of proteins expressed by genes. This understanding is in turn powered by the provision of high-quality research tools and reagents in support of hundreds of thousands of scientists around the globe.

Today, the global market for research antibodies and reagents that Abcam serves is worth approximately \$3bn[1] and growing at around 4% per annum[1]. Within this figure primary antibodies contribute approximately \$1bn[1], with related research reagents including secondary antibodies, kits, assays, proteins, lysates and cell lines comprising the balance.

In recent years, in partnership with biopharmaceutical and diagnostic companies, Abcam has begun to extend the commercial application of its antibodies into diagnostic and therapeutic markets. According to market research, the global monoclonal antibody-based therapeutics market is expected to double in size from 2017–23 and reach over \$200bn. Similarly, the companion diagnostics market is forecast to expand rapidly, reaching some \$25bn by 2022.

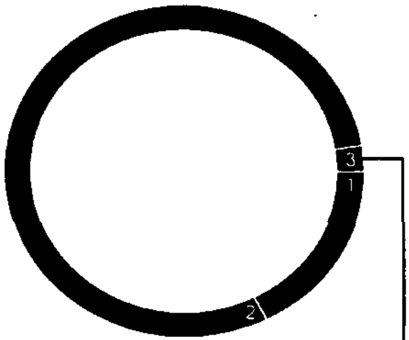
Abcam serves this market through the development of high-performance antibodies for diagnostic and biopharmaceutical organisations that have the potential to be used in clinical products, including in-vitro diagnostics (IVD), companion diagnostics, immunoassays and biological therapeutics.

1 Source: Pivotal Scientific (2018).

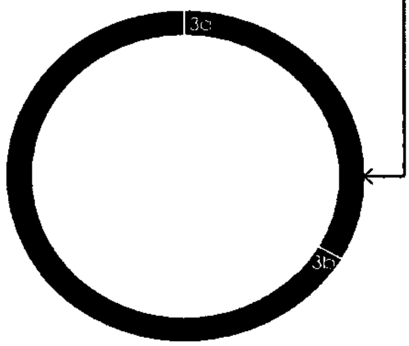
Market overview

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 in the table to the right.

Estimated global antibody markets (2018)



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



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

	Proteomic research reagents	Diagnostics	Therapeutics
Products	Research reagents including primary and secondary antibodies, kits and assays, proteins, peptides, lysates, cell lines and biochemicals.	Monoclonal 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, including companion diagnostics. Uses include, but are not limited to, the detection of infections, recognition of allergies and the measurement of hormones, proteins and other markers in biological samples. 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.
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, internal company estimates.
2 Source: Market research, internal company estimates.

Major trends in our markets

Major drivers of growth and change in our markets include:

Increased funding for biomedical research

Life science research funding continues to grow in many countries around the world, driven by increased investment into biomedical research from a combination of government, industry and private capital. Increased investment is funding translational research programmes associated with the development of next-generation therapies including immuno-oncology and immuno-therapy, treatments for chronic diseases associated with ageing populations, as well as rare and genetic diseases and the ongoing threat from infectious diseases such as HIV/AIDS, malaria and Ebola virus.

The increase in funding for industry-academia collaborations seen in recent years is expected to continue. Examples include the NIH's BRAIN Initiative, Cancer Moonshot and the Precision Medicine Initiatives in the US and China.

Implications for Abcam

Increased funding for life science research serves to expand the number of projects undertaken, researchers employed and experiments conducted, increasing the requirement for Abcam's products. In particular, a large percentage of Abcam's revenues are derived from consumers who are publicly funded through research grants. The nature of the market means that it is difficult to give a precise measure, but it is thought to be somewhere around 70% of our revenue. Our remaining consumers are spread across the pharmaceutical, biotechnology and in-vitro diagnostic markets.

Abcam's approach is to seek to understand and anticipate the evolving research and development (R&D) funding landscape across different regions and research areas in order that we can provide the most effective solutions and best serve consumer needs.

Related material

Our strategic priorities – pages 28 to 31

Growing significance of genomic and proteomic research

As technological innovation has driven a dramatic reduction in the cost of gene sequencing in recent years, its use has rapidly expanded, resulting in a commensurate increase in the identification of possible genetic targets and biomarkers for disease diagnosis. This has led to a proliferation in proteomic research in areas spanning stem cell research, gene editing, epigenetics, neuroscience and cancer.

All types of proteomics research are benefiting from this phenomenon, including protein separation, protein identification, protein quantification, protein sequence analysis, structural proteomics, interaction proteomics, protein modification and cellular proteomics.

At the same time, the market is also benefiting from increasing penetration of technologies enabling comprehensive and faster analysis of proteins, such as high-throughput immunoassay instruments. These developments are enabling scientists to increase productivity and achieve results faster, by processing hundreds of biological samples simultaneously.

Implications for Abcam

Abcam provides tools that are fundamental for proteomic research. A greater focus on research into protein function, together with an increased use of high-throughput platforms which require large volumes of reagents, is therefore linked to increasing demand for these products.

As our markets continue to innovate and change we constantly review opportunities to augment our existing products and services that will support the needs of our customers.

Related material

Our strategic priorities – pages 28 to 31

Structural growth in R&D investment in China

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 now ranks second in the world in number of scientific papers produced and is the world's second-most-cited source, behind the US. In 2019, the Chinese government said it has begun formulating its science plans for 2021 to 2035 and intends to step up its basic research efforts, enhance innovative capabilities, increase international cooperation and improve its supervision and regulation.

China increased spending on R&D by 11.6% in 2018 to $291bn or 2.18% of GDP, up from 1.14% in 2005 and is on track to reach its 2020 target of 2.5% a year early (Source: National Bureau of Statistics).

Implications for Abcam
The Chinese market contributed over 16% of Abcam's catalogue sales in 2018/19, up from c.5% in 2013 and represents a significant long-term growth opportunity. Our expectation is that the Chinese market has the potential to be as large as the US for our business in the next 15 years and we are building up our capabilities in the country to reflect this.

Related material
Our strategic priorities – pages 28 to 31

Focus on research reproducibility and reagent quality

Antibodies have a vital role in biomedical research and across the industry there are calls for greater reproducibility of data in primary publications. Unreliable research reagents lead to wasted time and money, with one survey from Nature reporting that more than 70% of researchers have tried and failed to reproduce another scientist's experiments, and more than half have failed to reproduce their own experiments.

High-quality research antibodies, providing high specificity, sensitivity and consistency, are needed to make critical progress on this issue – helping to increase confidence in research outcomes and reduce waste across the industry.

Implications for Abcam
As a leading provider of antibodies and research reagents, Abcam's ability to provide scientists 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 is vital to our continued success.

Our investment in innovative antibody manufacturing techniques, such as recombinant-based engineering, and powerful cell editing tools, such as CRISPR, are helping us to pioneer antibody quality and validation techniques and speed up the accuracy and pace of research.

Related material
Our strategic priorities – pages 28 to 31

Precision medicine and protein therapeutics

High unmet needs in the effective diagnosis and treatment of cancer and other diseases is driving demand for protein therapeutics and personalised medicines across the medical community.

By tailoring therapies to patients based on a particular genetic condition or the mutation profile of their cancer, patients are able to benefit from better outcomes whilst healthcare costs are reduced by preventing the prescription of costly, yet unnecessary, treatments. Antibody-based companion diagnostic tests are one way of identifying patients most suited to a treatment.

Similarly, the use of targeted monoclonal antibody treatments has been shown to have greater efficacy and precision than traditional chemo- and radio-therapies, reducing patient side effects. To date, just over 100 MAbs have been approved for therapeutic use by the US FDA, with many more in clinical trials.

Implications for Abcam
Abcam's strong capabilities in the design and manufacture of the highest quality recombinant monoclonal antibodies is helping us build a reputation as an effective partner for biopharmaceutical, diagnostic and instrument companies.

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

Related material
Our strategic priorities – pages 28 to 31

How we create sustainable value for stakeholders over the long term

Inputs

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

Our people
Our people are fundamental to our continued 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.

Related content
Corporate responsibility – pages 22 to 27

Our data and data analytics
We analyse and interpret significant amounts of data in order to better understand what 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. We are investing in our R&D capabilities in adjacent life science reagents where doing so will also strengthen our antibody development capabilities, for example in recombinant proteins, cell lines and lysates, and imaging and multiplexing consumables.

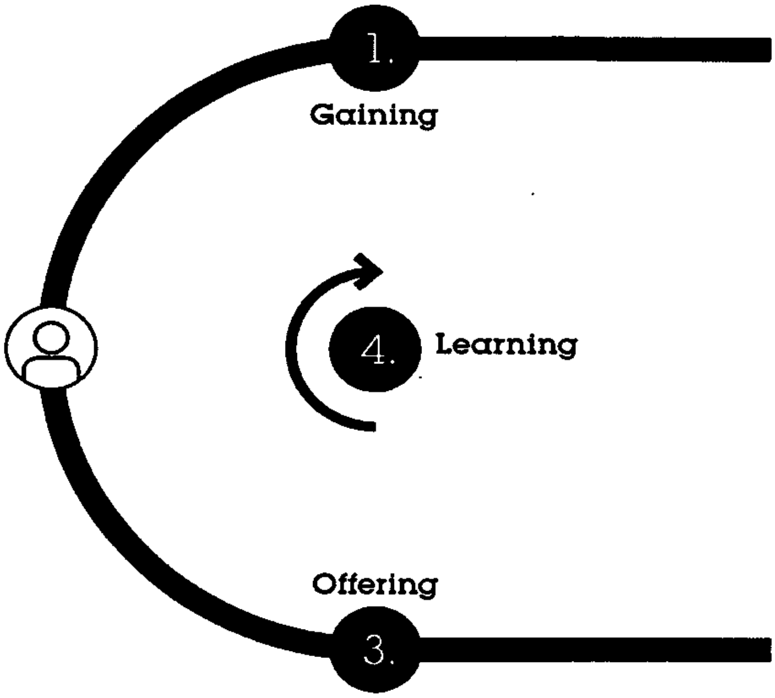
Our global footprint
We sell our products in over 140 countries through a variety of channels. Our global distribution network means that in most cases customers can have the product they need working in their lab within 48 hours of ordering. Our multilingual scientific support teams are on hand to help 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, including our £200m RCF facility.

How we create and capture value

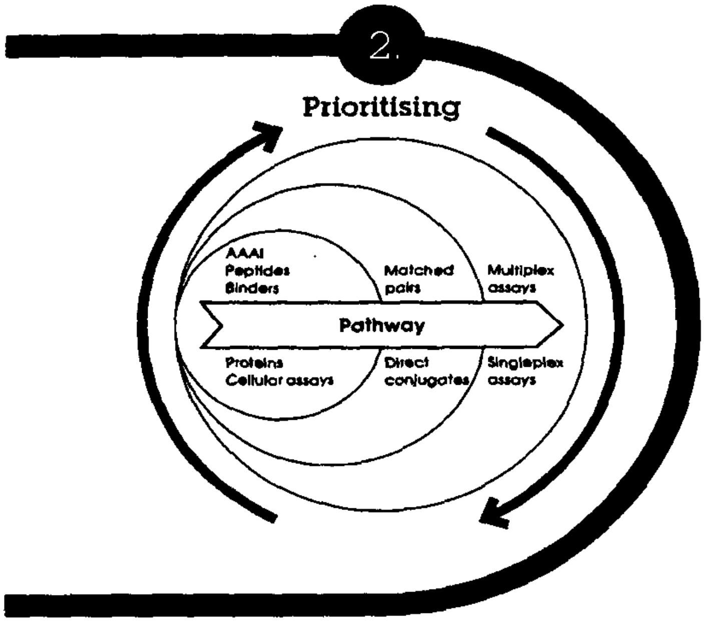
From Abcam's inception, we have increased the value of our products by adding performance data that is readily accessible to our consumers.



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.

Outputs

Generating long-term value for our stakeholders:

Our customers
Our portfolio of leading-edge antibody technologies, comprehensive consumer insights, personalised support, data, and continually growing range of high-quality research reagents help researchers around the world 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.

Our society
Through the provision of high-quality research reagents we are supporting progress of the identification of biomarkers for disease diagnosis, disease-causing genes and drug interaction pathways, aiding the development and accurate prescription of the effective treatments for disease as well as reducing waste in research.

In addition, we create socio-economic benefits for a range of stakeholders including generating income for governments through our tax payments and providing employment across our supply chain and in the communities where we operate. In 2018/19 we paid income taxes of £13.5m.

Related content
Corporate responsibility – pages 22 to 27

Behaving in a responsible and ethical way is central to the sustainable success of Abcam. We aspire to carry out our business activities to the highest ethical standards, act responsibly and make a positive impact in our interactions with all our stakeholders.

The Board takes ultimate responsibility for Corporate Responsibility and is committed to developing and implementing appropriate policies that create and maintain long term value. Sound business ethics help to minimise risk, ensure legal compliance and enhance the Group's efficiency.

Corporate Responsibility at Abcam is focused on the following priorities:

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

Our primary purpose is to provide life scientists with the tools and reagents they need to support their goals. To ensure that we address their needs, it is critical that we listen to them and offer products and services that are of the highest quality, are effective and are convenient to access.

Our products are used around the world to advance the global understanding of biology and causes of disease which, in turn, is driving new treatments and improved health supporting the UN's Sustainable Development Goal 3 (Good Health and Well-Being).

Whilst it is hard to quantitatively measure the societal benefits that flow from the use of our products, in 2018, Abcam's antibodies were cited in over 45,000 research papers globally (source: CiteAb) and Abcam antibodies are now used in seven FDA approved companion diagnostic assays.

Major Corporate Responsibility priorities relating to our customers are based around ensuring:

- our products are effective and ethically produced;
- we understand the needs of our customers and provide support so that they get the most out of our products; and
- we safeguard user personal data that we manage as part of our activities.

Effective products
Antibodies have a vital role in biomedical research and scientific journals are calling for greater reproducibility of data in primary publications. Providing the highest quality products in terms of specificity, sensitivity and consistency, together with extensive product validation data is therefore a fundamental driver of improved customer loyalty and our reputation with life science researchers.

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. As a result of this ongoing work, the level of product complaints fell again in 2018/19, to its lowest ever level.

Understanding needs and providing support
We continuously interact with consumers through our scientific support teams and other customer touch points including trade shows, surveys, focus groups and key opinion leaders. The feedback from these interactions is used to inform our innovation process and product development pipeline, as well as improve our service offering.

Providing pre- and post-sales support to customers to ensure they have what they need to carry out their research is fundamental to our proposition. We have continued to invest in our customer and scientific support teams during the year, ensuring they are able to provide 24/7 technical support to our customers.

Together, our support teams have dealt with 450,000 enquiries last year, responding to the vast majority within 24 hours. In the last 12 months we have also launched an online 'Live Chat' service available through our website to make it easier for customers to resolve issues.

We are able to measure real-time satisfaction levels through our transactional Net Promotor Score (tNPS), which is a strategic KPI of the business. Customers are encouraged to provide feedback after every interaction with us, with over 5,000 tNPS surveys completed last year. As valuable as the scores are the verbatim comments received, which give our teams actionable insights on what we can do to improve our products and service.

Over the year we achieved a tNPS score of 59% in 2018/19 (2017/18: 64%). The score reflects the impact of changing our survey provider in November 2018 to a more customer friendly format. The mechanism by which customer feedback is obtained changed and resulted in a tNPS outcome that is approximately 10% lower than under the previous mechanism.

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 policy is available on our website at www.abcam.com/content/privacy-policy.

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A simple ordering process, great customer service and delivery the next day, what more could I ask for? Oh, and the antibodies I ordered also worked perfectly!

Customer feedback, tNPS survey
July 2019

2. Empowering our people

Attracting and retaining the best talent is crucial to the delivery of our strategy and sustainability as an organisation. Across our global locations we employ over 1,150 people, including over 300 who are focused on research and development.
Our people priorities are focused on creating a positive, healthy and dynamic work environment where people feel valued, respected and treated fairly. We measure employee engagement annually and in the latest annual global employee survey, conducted in July 2019, we were delighted to see engagement levels rise for their fifth year in a row, to a record level.

During the year, we have continued to enhance our culture and make improvements to our performance, engagement and training and development activities in order to deliver against our goal of making Abcam an exceptional place to work.

Inspiring and rewarding our people
We aim to create a positive, collaborative culture and ensure everyone is aware of the contribution they can make. We want employees to be engaged and motivated and have opportunities to develop and progress. In 2017 we launched our global behaviours across the organisation – being Dedicated, Agile and Audacious – and have continued a programme of initiatives to champion these behaviours across our organisation over the last 12 months.

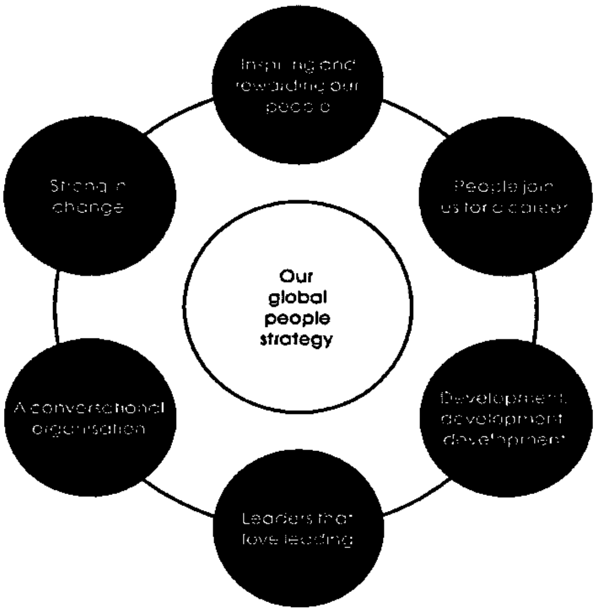
We recognise that rewarding employees fairly, equitably and competitively is crucial to attracting and maintaining a motivated workforce. In support of this, we undertake regular reviews of our reward data to ensure that any potential remuneration issues can be quickly detected and resolved.

In September 2018, we launched 'AbShare', an innovative share plan available to all permanent employees, globally. The plan, which won 'Most Innovative & Creative Plan Design' at the GEO 2019 awards, was designed to encourage broad-based share ownership across the world, creating alignment around the organisation and helping Abcam to attract and retain the highest calibre people. Take-up of the plan at launch was 88% across our global employee base.

Finally, we offer a range of incentives and management bonuses tied to Group and individual performance with alignment between an individual's contribution and the delivery of our strategic goals.

500+
People attending leadership and management training programme

Global people priorities



Training and career development
The continuous development of our people remains a core pillar of our people strategy. Highlights of our training and development activities over the last 12 months include:

- Record online and offline training undertaken by global colleagues;
- Roll-out of new performance management approach 'Performance with Purpose', following a successful pilot in 2018;
- Leadership and management training programmes extended to over 500 employees;
- Continued expansion of our leading UK apprentice scheme, with 34 active apprenticeships across all levels, including seven Senior Leaders Masterships (MBA), making Abcam one of the top 3% of companies in the UK offering higher level apprenticeships.

In the latest employee survey, 69% of employees rated they felt 'positive' or 'very positive' about having their learning and development needs met.

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

Since reporting our first gender pay gap results in April 2018, we have continued to focus on achieving greater gender balance at all levels of our organisation through the action plan we shared at that time. We have set in motion a comprehensive review of our policies and practices for parental leave and flexible working based on employee feedback. We have implemented a recruitment target of at least one woman on every shortlist for senior leadership vacancies. Our Women in Leadership group continues to gain momentum and we have also established internal networks and mentorship programmes. We have also introduced a scientific approach to measuring potential with the aim of reducing unconscious and subjective bias in the development of our people.

Whilst our mean gender pay gap rose for the period to April 2019, the figures in the report were based on pay information from April 2018, meaning the action plan we committed to last year will not have had an impact on them. We have seen indications that these actions are starting to bear fruit, including in the last year:

- 67% of promotions to senior leadership positions were for women;
- 62% of external hires into our most senior job levels were women; and
- 87% of senior leadership vacancies had at least one female candidate on the shortlist during the recruitment process.

This year we also launched our global Diversity and Inclusion intranet site, providing a home for our Women in Leadership initiative, LGBTQ+, family networks and other groups.

67%
of promotions to senior leadership positions were for women

87%
of senior leadership vacancies had at least one female candidate on the shortlist

Employee well-being, 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. Last year we recorded five days of lost time due to accidents or injuries in the year.

3. Working responsibly with our partners

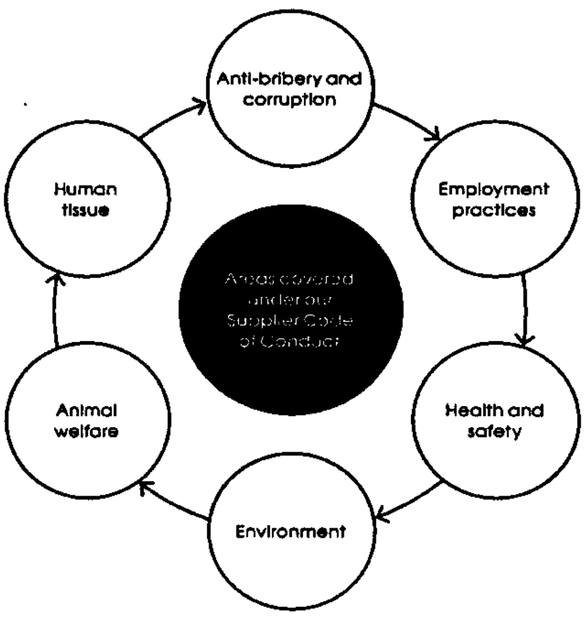
We aim to build long-term, mutually beneficial relationships with the partners, suppliers and distributors we rely on to meet the needs of our customers.

Behaving ethically and responsibly extends to those partners, and we therefore 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.

We select suppliers that adhere to high-quality and ethical standards, and monitor their performance through audits, reviewing the progress of any corrective action plans and measuring of key performance indicators.

All new suppliers and distributors are required to sign up to and abide by our Supplier and Distributor Codes of Conduct. Since launching new Codes in 2017/18 a programme has also been in place to transition all existing suppliers and distributors to these new Codes, which are available on our website and dedicated supplier web portal.

Supplier Code of Conduct



4. Behaving ethically across our business

Behaving in a socially responsible way and reducing our impact on the environment helps protect our reputation and underpins our long-term future.

All employees are required to undertake regular training across key topics such as Anti-bribery and Corruption and GDPR legislation, and our whistleblowing hotline and portal, 'Speak-Up', enables employees to provide feedback or raise concerns anonymously.

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.

Reducing our impact on the environment
We recognise that, as a result of our business activities, we create negative impacts on the environment and understand that a damaged environment has broader consequences for the health and well-being of society. Operating sustainable practices is therefore important to Abcam's long-term success and we continue to look at ways to reduce our environmental impact and improve resource efficiency.

As an online business, 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.

Initiatives to reduce our environment impact over the last 12 months include:

- Exploring alternative sustainable packaging options for our most common box size which accounts for 75% of our global customer shipments;
- Looking at ways to significantly reduce the amount of plastic in our shipments; and
- Trialling digital-only datasheets, with the potential of saving one million sheets of paper per year.

"
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 long history of involvement with local communities by supporting and partnering with organisations that help advance life science research. We aim to help communities through programmes that inspire the next generation of scientists, and support life science research through corporate giving and fundraising activities. Last year we established a global Charity and Communities Policy, and a UK committee to maximise the impact of our support. This will be rolled out globally next year.

Charitable causes and local projects
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 activities to raise money 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.

Our strategic priorities

Our strategy is designed to increase growth and improve our long-term financial performance.

An overview of the strategic and operational milestones reached in 2018/19 and our future priorities are provided in the following tables:

Sustain antibody and digital marketing leadership 1

Long-term objective
Generate above market revenue growth in our core research antibody market

Priorities for 2018/19
- Develop new products focused on high-value areas, based on customers' research needs
- Enhance our product validation and raise product quality standards across the catalogue
- Implement the next phase of our China growth strategy

What we achieved
- Delivered primary antibody revenue growth ahead of the global market growth rate
- Published over 7,000 high-performance recombinant antibodies, including new formulations, increasing our range to over 18,000
- Further enhanced our target selection process to increase the success of new products
- 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
- Further expanded electronic catalogue connections to large-volume customers

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

Expand in related growth markets 2

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

Priorities for 2018/19
- Grow our Immunoassay business in line with multi-year aspiration
- Expand the number of CP&L 'Abcam Inside' projects and framework agreements
- Launch teams to develop one to two new capability areas

What we achieved
- Published over 250 new SimpleStep ELISA® immunoassay products on the catalogue
- Further developed FirePlex® multiplex platform, validating over 170 pairs of antibodies and launching a high throughput product (Fireplex®-HT) to simplify and speed up workflows
- Continued to expand addressable market in custom products & licensing, including completing over 160 projects and executing over 50 agreements with pharmaceutical and diagnostic development partners
- Launched protein science team to expand our recombinant protein production capability

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
11. Non-compliance with laws and regulations

Invest in operating capabilities for 2x 2016 scale by 2023 3

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

Priorities for 2018/19
- 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

What we achieved
- Successfully transitioned the financial and non-stock procurement modules of the Group's Oracle ERP system
- Successfully launched a global employee share ownership scheme, with strong employee take up of 88%
- Completed the construction of our global headquarters on the Cambridge Biomedical Campus on budget
- Further investment in our global teams, including corporate development, product development, digital marketing and global supply chain and manufacturing functions – including new SVPs of Corporate Development and Supply Chain and Manufacturing

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

Sustain attractive economics 4

Long-term objective
Maintain operational efficiency and cost effectiveness to support sustainable, profitable growth

Priorities for 2018/19
- Continue to realise productivity gains
- Move to direct distribution in at least one more market

What we achieved
- Identified and delivered operating efficiencies and productivity gains
- Continued to increase sales of higher margin products, supporting an increase in gross product margin of 0.6%, to 70.5%
- Delivered our new global headquarters in the UK on budget
- Executed contingency plans to ensure customer disruption is minimised in the event the UK leaves the EU without a withdrawal agreement

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

Supplement organic growth – acquisitions and partnerships 5

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

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

What we achieved
- Appointed new SVP Corporate Development to lead delivery of acquisition strategy
- Completed the tuck-in acquisition of Calico Biolabs
- Entered £200m RCF, providing additional financial flexibility for future corporate transactions
- Continued to strengthen relationships and expand the opportunity set across the industry

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

Future strategic priorities

Sustain and extend antibody and digital marketing leadership

Long-term objective
Generate above market revenue growth in our core research antibody market

Priorities
- Develop best in class binders to high value targets, pathways and research areas
- Expand industry leading quality and validation initiatives
- Execute our China growth strategy to maintain regional leadership
- Reinvent our digital channel to add value for customers

Link to KPIs
- Total revenue growth (CER)
- Revenue growth (CER) from in-house products (Catalogue)
- 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

Drive continued expansion into complementary market adjacencies

Long-term objective
Generate value through the addition of new product ranges and services for our customers

Priorities
- Become a leader in immunoassays through continued innovation and development of our proprietary portfolio
- Build on our position as a leading antibody discovery partner for biopharma
- Invest in internal innovation capabilities to support further portfolio development across proteomic research tools and reagents

Link to KPIs
- Total revenue growth (CER)
- Revenue growth (CER) from in-house products (Catalogue)
- tNPS

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
11. Non-compliance with laws and regulations

Build organisational scalability and sustain value creation

Long-term objective
Invest in our people, systems and infrastructure to ensure we have the appropriate capabilities to support our business as it grows whilst driving operational efficiency

Priorities
- Drive productivity improvements across our operations to enhance margins and cash flow
- Build talent depth and invest in the potential of our teams
- Complete IT transformation
- Optimise facilities footprint and automate manufacturing processes

Link to KPIs
- Total revenue growth (CER)
- Adjusted Profit Before Tax
- Return on Capital Employed

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

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 remuneration.

Performance of our KPIs in the last 12 months are as follows:

Strategic KPIs

Recombinant antibody CER revenue growth ↗

22%

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 18,000 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:

Recombinant revenues grew 22.4% in the year, achieving the target set at the start of the year of over 20%.

Alignment to 2018/19 strategy

1 2 3 4 5

Linked to Executive Management remuneration?

Yes. Performance against the Group's strategic KPI's determines part of management's Annual Bonus Plan (ABP) payout.

Related material

Principal risks and uncertainties - pages 39 to 44
Chief Executive Officer's review and operational report - pages 10 to 14
Remuneration Report - pages 75 to 86

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 ↗

22%
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 21.9%, achieving the target set at the start of the year of over 20%.

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
Yes. Performance against the Group's strategic KPI's determines part of management's ABP payout.

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer's review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Transactional Net Promoter Score (tNPS) ↗

59%
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.

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:
We achieved a 12-month tNPS score of 59% in the year.

In November 2018, the Company appointed a new tNPS survey partner. As a consequence, the mechanism by which customer feedback is obtained changed and resulted in a tNPS outcome that is approximately 10% lower than under the previous mechanism.

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
Yes. Performance against the Group's strategic KPI's determines part of management's ABP payout.

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer's review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Financial KPIs

Total CER revenue growth ↗

9.2%
2017/18: 10.7%
2016/17: 9.9%

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:
Growth of 9.2% was below last year's rate of 10.7%, reflecting lower growth in EMEA and Japan. CP&L performance also impacted the overall growth rate.

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
Yes. Performance against the Group's strategic KPI's determines part of management's LTIP payout.

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer's review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Adjusted Profit Before Tax ↗

£83.9m
2017/18: £81.6m
2016/17: £64.6m

Description
Profit Before Tax based on the related IFRS measure but excluding adjusting items (see note 7 of the consolidated 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 2.8% in the year.

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
Yes. Performance against the Group's strategic KPI's determines part of management's LTIP payout.

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer's review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Our five strategic priorities

1	Sustain antibody and digital marketing leadership
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4	Sustain attractive economics
5	Supplement organic growth – acquisitions and partnerships

Return on Capital Employed ↗

20.8%
2017/18: 22.2%
2016/17: 19.6%

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 ability to create future growth in value.

The Group attempts to maintain ROCE at a level well above the Group's estimated cost of capital.

How we performed:
The Group's ROCE was 20.8% for the year, a modest decline on last year but significantly above the Group's estimated Weighted Average Cost of Capital (WACC).

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
No

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer's review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Our new Strategic KPIs
We have revised our KPIs moving into 2019/20 to reflect the direction of the business and strategy for sustainable growth:

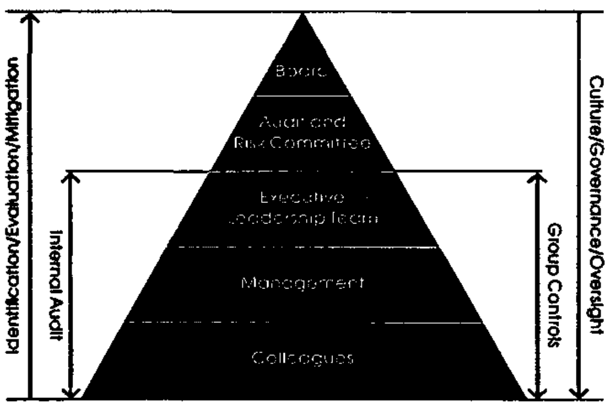
Revised KPIs for 2019/20:	2019/20 target
Revenue growth from in-house products[1,2]	12%–15%
Customer engagement: transactional NPS (tNPS)	54%–60%

1 At constant exchange rates.
2 Catalogue only.

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. It is embedded in our culture and code of conduct 'How we do things at Abcam'. 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 considered and approved risk appetite in relation to each principal risk, together with mitigating actions. Risk appetite statements are 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 which ensures the accuracy and reliability of financial planning and reporting. These controls extend across all functions and help to ensure the management and safeguarding of assets. The control framework for finance has been enhanced through the implementation of the financial reporting and compliance module within the recently implemented Oracle Cloud ERP. In addition, all business areas review controls regularly and during the year incremental investment has been made in the area of cyber security.

The risk management framework is further supported by Abcam's internal audit function which is outsourced to KPMG LLP. The internal audit function 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 Group. 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 70 to 74.

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 2019.

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 2018 Annual Report and Accounts remain the most significant. In reaching this conclusion the Board has considered the UK Corporate Governance Code 2016 (the 2016 Code) requirements to give due regard to risks to the Group's strategy. The new UK Corporate Governance Code 2018 (the 2018 Code) is applicable for the financial year ending 30 June 2020. The Group intends to comply with the provisions of the 2018 Code in a manner that is at least equivalent to Abcam's compliance with the 2016 Code. Details of compliance with the 2016 Code are set out in the Statement on Governance on page 89.

As noted in the prior year, Brexit and the American political landscape continue to cause uncertainty in the business environment, however, these uncertainties are considered to be covered within the breadth of the existing principal risks. In order to address the business risks associated with Brexit, the Group has set up an additional distribution hub in the Netherlands to ensure that deliveries to European customers in the event of a 'hard Brexit' are maintained. 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 on pages 39 to 44.

Summary of risk management in pursuit of our strategic objectives

Risk categories			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	✓			✓	

Principal risks and uncertainties

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

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 scientific and technological developments, consumer needs, strengthening product offerings and routes to market.

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
- Inability to expand into adjacent markets

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
- Continuous improvement in product quality to better meet customer needs
- Hiring and developing the right and talented people
- Continued measurement of Abcam brand strength
- Continuous commitment to product differentiation through innovation
- Predictive analytics used to identify high-value targets

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 underperformance 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
- Investment in internal M&A capabilities including hiring new SVP Corporate Development*
- 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
- Development of financing strategy, including £200m Revolving Credit Facility (RCF) entered into to provide additional flexibility for corporate transactions*

*New or expanded mitigation.

Alignment to strategy
1 2 3 4 5

Principal risks and uncertainties continued

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

Strategic risks

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 continues to cause some uncertainty in European markets and the US future research funding position also remains less predictable than historically.

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
- European distribution hub set up in the Netherlands to ensure that deliveries to our European customers in the event of a 'hard Brexit' are maintained*
- 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 that Abcam does not continue to develop its external facing and internal IT infrastructure.

Potential impacts
- Failure of legacy systems which are not replaced
- Resourcing elsewhere in the business affected
- Decline in customer service levels resulting in a loss of revenue
- Suboptimal operational efficiency
- Additional cost and extra time required to maintain systems
- Disruption to business or lack of expected benefits during transition to new systems

Key mitigating activities
- Multi-year investment programme in place to upgrade the Group's enterprise IT systems and retire legacy systems
- Finance and indirect (non-stock) procurement modules of Oracle Cloud Fusion went live in April 2019*. Next phase will focus on external Digital Experience together with supply chain and manufacturing
- Effective governance structure and senior leadership in place to oversee delivery of IT programme
- Detailed designs and planning undertaken to assess 'best in class' solutions for external and IT infrastructure supported by industry experts*
- Key personnel hired with extensive relevant experience to support programmes*
- Use of experienced third party systems integrator and other third party providers to support the design phase of the programme
- Regional roll out adopted, reducing the risks associated with a single global deployment and enabling a more focused and manageable process
- Planned delivery approach for each stage of the programme to ensure quality and emphasis on business readiness, change management and training*
- The Board is kept appraised of progress and key issues at each Board meeting with additional detail provided as required

*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

Cyber security risks including loss of data and website inaccessibility 5

Change in year →

Principal risk and relevance
The risk that Abcam's critical IT infrastructure is compromised or subject to cyber attack.

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 advanced anti-virus protection*
- Dedicated internal cyber security resource with detailed long-term plan to combat growing global cyber security risk
- Appointment of outsourced security service during the year*
- Improved protection around access to key internal company data*
- Continued extensive investment in IT systems
- Business-wide security awareness and training campaign with continued investment in training
- Monitoring of evolving threats and anticipation of risks. Regular security reviews including penetration testing by external experts
- Cyber security maturity assessment carried out by external experts and action plan implemented
- 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

Alignment to strategy
1 2 3 4 5

Principal risks and uncertainties continued

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

Operational risks

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, including a new state-of-the-art global headquarters in the UK which was achieved on budget and on time*
- Increased financing capacity following, £200m Revolving Credit Facility (RCF) entered into to provide additional flexibility for corporate transactions*
- In-house development of employees to continually up-skill, supplemented with key external hires
- Significant opportunities for learning and development, and leadership training
- Open employee communication including employee NPS monitoring and improvement
- New global share ownership plan rolled out during the year with nearly 90% of employees being members*
- 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
- IT investments expected to enhance ability to integrate acquisitions
- Senior management with significant previous experience lead the assessment, planning and integration process
- Acquisitions in 2017/18 and 2018/19 have been less complex and do not present a significant integration risk*

*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
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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
- Robust health and safety policies and procedures
- 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 online training for all staff on anti-bribery and corruption and General Data Protection Regulation (GDPR) with additional in-person briefings in Asia operations

Alignment to strategy
1 2 3 4 5

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

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

Our five strategic priorities

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5. Supplement organic growth – acquisitions and partnerships

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

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 12 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 also covers the period of large cash outflows on 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.

Double-digit revenue growth delivered; continue to prioritise investment in long-term growth

Financial highlights

- Total revenue increased by 11.4% on a reported basis and 9.2% on a constant exchange rate (CER) basis
- Gross margin improved by 60 basis points to 70.5%
- EBITDA margin of 32.4% (2017/18: 35.0%) and Adjusted EBITDA margin of 35.6% (2017/18: 37.9%), reflect planned strategic investments made during the year
- Reported operating profit margin of 21.6% (2017/18: 29.5%), after impact of £12.8m non-cash impairment charge, and Adjusted operating margin of 32.2% (2017/18: 34.9%)
- Reported diluted EPS decreased by 27.8% to 21.8p as a result of the non-cash impairment charge and adjusted diluted EPS grew 0.6% to 32.6p
- Strong cash generation continued, with net cash inflow from operating activities of £70.2m (2018/19: £63.3m)
- Proposed final dividend of 8.58 pence (2017/18: 8.58 pence), taking the proposed total annual dividend to 12.13 pence per share, an increase of 1.1%
- £200m Revolving Credit Facility secured, providing additional flexibility for future corporate transactions

The Chief Financial Officer's Report and Financial Review includes discussion of alternative performance measures which are defined in further detail in the Investor Information section on page 141 and which are considered by the Board and management in reporting, planning and decision making. 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. 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. Further detail on the Group's financial performance is set out in the financial statements and notes thereto.

"

The Group delivered another solid financial performance in 2019, underpinning our continued investment in long-term growth.

Gavin Wood
Chief Financial Officer

Summary of 2018/19 performance

The following table summarises the Group's performance for each of the last two years on a reported and adjusted basis.

	Reported results Year ended 30 June			Adjusted results Year ended 30 June		
	2019 £m	2018 £m	*Growth*	2019 £m	2018 £m	*Growth*
Revenue	**259.9**	233.2	*11.4%*	**259.9**	233.2	*11.4%*
Gross profit	**183.2**	163.0	*12.4%*	**183.2**	163.0	*12.4%*
Gross profit margin (%)	***70.5%***	*69.9%*		***70.5%***	*69.9%*	
EBITDA	**84.3**	81.7	*3.2%*	**92.4**	88.3	*4.6%*
EBITDA margin (%)	***32.4%***	*35.0%*		***35.6%***	*37.9%*	
Depreciation and amortisation	**(15.4)**	(12.9)	*19.4%*	**(8.8)**	(7.0)	*25.7%*
Impairment	**(12.8)**	—		**—**	—	
Operating profit	**56.1**	68.8	*(18.5%)*	**83.6**	81.3	*2.8%*
Operating profit margin (%)	***21.6%***	*29.5%*		***32.2%***	*34.9%*	
Net finance income	**0.3**	0.3		**0.3**	0.3	
Profit before tax	**56.4**	69.1	*(18.4%)*	**83.9**	81.6	*2.8%*
Taxation	**(11.4)**	(6.9)	*65.2%*	**(16.5)**	(14.9)	*10.7%*
Profit after tax	**45.0**	62.2	*(27.7%)*	**67.4**	66.7	*1.0%*
Earnings per share						
Basic	**22.0p**	30.5p	*(27.9%)*	**32.9p**	32.7p	*0.6%*
Diluted	**21.8p**	30.2p	*(27.8%)*	**32.6p**	32.4p	*0.6%*
Annual Dividend per share	**12.13p**	12.00p	*1.1%*	**12.13p**	12.00p	*1.1%*
Net cash at end of period	**87.1**	90.2	*(3.4%)*	**87.1**	90.2	*(3.4%)*
Return on capital employed	**14.0%**	18.8%		**20.8%**	22.2%	

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

2018/19 performance

I am pleased to report that Abcam delivered another solid financial performance in the year and at the same time we have continued to execute our long-term 'invest-to-grow' strategy. Revenues grew 11.4% to £259.9m (CER 9.2%), and after gross margin expanded by 60 basis points, benefiting from an increasing mix of in-house products, gross profit grew by £20.2m or 12.4%, to £183.2m (2017/18: £163.0m).

After planned strategic investments made during the year, Adjusted EBITDA rose £4.1m or 4.6% to £92.4m (2017/18: £88.3m), representing an Adjusted EBITDA margin of 35.6% (2017/18: 37.9%). Adjusted operating profit rose £2.3m to £83.6m, equivalent to an Adjusted operating profit margin of 32.2%, whilst diluted earnings per share (adjusted EPS) grew 0.6% to 32.6p. In 2019/20 the Group's Adjusted operating profit margin is expected to be in the mid- to high-twenties, dependent on the phasing of our strategic investment plans, before returning to the low-thirties range by the end of the next five-year period.

On a reported basis EPS declined 27.8% to 21.8p, predominantly reflecting the impairment charge relating to historical work on the Group's Oracle Cloud ERP system, following a detailed review of this programme undertaken during the year.

The Group continues to be highly cash generative, with net cash generated from operating activities of £70.2m (2017/18: £63.3m) whilst returns on capital remain healthy, at over 20% (adjusted-ROCE). The Group ended the year with cash of £87.1m and during the year entered into a Revolving Credit Facility (RCF) of £200m with a £100m additional Accordion option, providing additional financial flexibility for future acquisitions. In March 2019, the Board declared an interim dividend of 3.55 pence per share and has proposed a final dividend of 8.58 pence per share, equating to total annual dividends of 12.13 pence for the year (2017/18: 12.00 pence).

Investing to increase scalability and sustain our growth
During the year we invested further in our Oracle Cloud ERP system and successfully went live with Oracle Fusion Finance and non-stock Procurement modules on time and within the budget set at the start of this financial year. Whilst we are early in the post go-live phase of the implementation of these modules, I am confident they will provide us with the ability to grow and scale more efficiently in these areas in the future.

We successfully completed another major capital project when we moved into our new global headquarters in Cambridge, UK. Again, I am pleased to report that this multi-year project was completed in line with the budget and the move was completed without any disruption to our customers or operations.

In Autumn 2018, we launched a new global, all employee share scheme ('Abshares') and this has been well received by our colleagues around the world. Finally, in March 2019, we opened a new distribution centre in the Netherlands as part of our Brexit contingency planning that has quickly become an integral part of our global supply chain.

Accounting standards
During the year, the Group has applied certain changes in accounting standards. These were (i) IFRS 9, Financial Instruments: Classification and Measurement (ii) IFRS 15, Revenue from Contracts with Customers. Their adoption has not had a financial impact on our results.

In addition, the Group has evaluated the impact of the changes of IFRS 16, Leases, which is effective from 1 July 2019. The Group has conducted a review of its lease contracts and based on the leases in place at 30 June 2019 expects a decrease in net assets of £2.1m on transition at 1 July 2019. A right-of-use asset of £69.9m will be recognised as of 1 July 2019 with a corresponding lease liability of £75.8m. For the year to 30 June 2020, we expect operating profit to increase by approximately £1m offset by an increase in interest expense within finance costs of approximately £1m as a result of the adoption of IFRS 16.

Looking forward
The fundamentals of the business remain strong and we remain committed to delivering against our long-term growth strategy. The addressable markets we serve are large, at over $8bn, and growing. The returns on our core business are good and we expect to make healthy returns on the incremental investments we are making in our long-term future. We therefore believe that the best use of our capital is to redeploy it in the business to drive incremental growth as well as in selected acquisitions that advance our strategy.

This position is reflected in our five-year plans and financial goals, incorporating a planned expansion of investment in the implementation of initiatives that will allow us to seize more of the market opportunities for growth we see around us, thereby sustaining our long-term growth potential, enabling us fulfil our purpose of serving life scientists to achieve their mission, faster, and generating long-term value for all our stakeholders.

Gavin Wood
Chief Financial Officer
6 September 2019

Financial Review

Revenue

	Reported revenue 2019 £m	Reported revenue 2018 £m	*Increase in reported revenue*	*CER growth rate*
Catalogue regional split				
The Americas	**101.3**	88.5	*14.5%*	*10.3%*
EMEA	**66.4**	62.6	*6.1%*	*6.0%*
China	**39.8**	33.0	*20.6%*	*20.9%*
Japan	**16.8**	16.2	*3.7%*	*0.0%*
Rest of Asia (ROA)	**18.5**	16.5	*12.1%*	*10.0%*
Catalogue revenue sub-total	**242.8**	216.8	*12.0%*	*9.8%*
Custom Products & Licensing (CP&L)[1]	**17.1**	16.4	*4.3%*	*0.4%*
Total reported revenue	**259.9**	233.2	*11.4%*	*9.2%*
Catalogue product split				
Primary and secondary antibodies	**193.2**	174.5	*10.7%*	*8.7%*
of which Recombinant antibodies	59.1	48.0	*23.1%*	*22.4%*
Other products[2]	**49.6**	42.3	*17.3%*	*14.7%*
of which Immunoassay products	18.5	15.0	*23.3%*	*21.9%*
Catalogue sub-total	**242.8**	216.8	*12.0%*	*9.8%*

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

Total reported revenues for the year increased by 11.4% to £259.9m. Sterling was weaker against the basket of foreign currencies in which the Group trades which positively impacted our reported revenues. Adjusting for this weakening in Sterling, CER revenue growth was 9.2%.

Catalogue revenue grew by 12.0% on a reported basis and 9.8% CER. From a product perspective, the key drivers of growth were Recombinant antibodies, which grew 23.1% to £59.1m (22.4% at CER), and Immunoassays, which grew 23.3% (21.9% at CER) to £18.5m. Together, these categories contributed 32.0% (2017/18: 29.1%) of Catalogue sales.

Regionally, China continued to be our fastest growing major market, with revenue up 20.6% (20.9% CER) to £39.8m, contributing 16.4% of Catalogue revenue. Americas and Rest of Asia Pacific performed well, delivering double-digit growth in the period, whilst EMEA sales grew by 6.1%. Japan rose 3.7% on a reported basis but was flat on a CER basis, reflecting market wide challenges in that country.

Custom Products & Licensing (CP&L), comprising revenue from custom antibody development services, in vitro-diagnostic (IVD)/Immunohistochemistry (IHC) sales and royalty and licence income, continues to remain an area of focus and investment for the Group, but remains relatively early in its development. Full year revenues increased by 4.3% (0.4% CER) to £17.1m (2017/18: £16.4m), with an increase in revenue from royalties, licences and IVD supply agreements (contributing approximately 70% of CP&L revenue) partially offset by a decline in revenue generated from custom services due to the timing and phasing of certain projects.

Gross margin
Reported gross margin increased by 60 basis points to 70.5% (2017/18: 69.9%) in the year, predominantly due to the increasing contribution of Catalogue sales from higher margin products. We anticipate further 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			Adjusted*		
	2019 £m	2018 £m	% Change	2019 £m	2018 £m	% Change
Selling, general and administrative expenses	**112.1**	78.2	*43.4%*	**88.9**	69.8	*27.4%*
Research and development expenses	**15.0**	16.0	*(6.3%)*	**10.7**	11.9	*(10.0%)*
Total operating costs and expenses	**127.1**	94.2	*34.9%*	**99.6**	81.7	*21.9%*
Depreciation and amortisation	**(15.4)**	(12.9)	*19.4%*	**(8.8)**	(7.0)	*25.7%*
Impairment	**(12.8)**	—		**—**	—	
Total operating costs and expenses excluding depreciation and amortisation	**98.9**	81.3	*21.6%*	**90.8**	74.7	*21.6%*
Share-based compensation	**6.5**	3.4	*91.2%*	**6.5**	3.4	*91.2%*

* 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 consolidated financial statements.

Selling, general and administrative expenses
On a reported basis, after the impact of the year-on-year movement in exchange rates and including the impairment charge of £12.8m, expenses increased by £33.9m or 43.4%. On an adjusted basis SG&A expenses rose by 27.4%.

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

- £9.2m increase in costs relating to further investment in teams to support the Group's growth plans, including a £2.6m increase in non-cash share-based compensation to £5.5m;
- £4.8m increase in premises-related costs, reflecting the move to the new global headquarters during the year. This figure includes £3.7m of dual rent and other moving costs which are excluded from adjusted profit, (as detailed in note 3 in the Preliminary Financial Information);
- A net £11.2m increase in costs associated with the work performed on the Oracle Cloud ERP project, to £17.3m (2017/18: £6.1m) including a £12.8m impairment charge (see Investment in systems, processes and infrastructure for further detail);
- £2.9m year-on-year foreign exchange related increase owing to the relative weakness of Sterling. This comprises £1.0m of costs denominated in the currency of the Group's overseas entities (which, when translated into weaker Sterling results in higher charges to expenses), £1.3m of year-on-year net costs from forward selling currency contracts and £0.6m of translational currency impacts.

Within reported expenses, depreciation and amortisation expenses increased by £1.9m in the year to £8.2m, including £2.2m related to the amortisation of acquisition intangibles (2017/18: £1.8m). The Group's amortisation and depreciation expense is expected to increase in 2019/20, reflecting the annualisation of charges associated with the finance and non-stock procurement ERP modules and the Group's UK headquarters. The depreciation charge will also be impacted in 2019/20 as a result of accounting changes required by the introduction of IFRS 16 as described in note 2 to the consolidated 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 to serve our customers' needs 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 £1.0m or 6.3%, to £15.0m (2017/18: £16.0m), as a result of the successful completion of key technology milestones on the AxioMx platform which resulted in £2.7m of R&D costs being capitalised this year. Overall, capitalised R&D costs rose by £3.7m to £8.0m (2017/18: £4.3m) and also include £1.0m of non-cash share-based compensation charge.

R&D-related depreciation and amortisation charges were £0.6m higher in the year, at £7.2m, including £4.3m related to the amortisation of acquisition intangibles (2017/18: £4.1m) which are excluded from adjusted costs. The amortisation of acquisition intangibles predominantly relates to the acquisition of Epitomics in 2012.

Investment in systems, processes and infrastructure

We continued to invest in our people, IT systems, infrastructure and business processes during the year to enable operational scalability as the Group continues to grow. Major areas of investment in the year included:

Enterprise Resource Planning (ERP) programme

In 2018/19 the Finance and Non-stock procurement modules of the Oracle Cloud ERP programme were implemented in line with the estimated cost of approximately £16m set out at the start of the year, comprising capital expenditure of £11.6m (2017/18: £17.5m) and operating costs of £4.6m (2017/18: £6.1m). In addition, depreciation charges relating to the ERP of £1.0m were incurred in the year, including £0.5m relating to the Finance and Non-stock procurement modules implemented at the end of April 2019.

With the installation of these latest modules and following a detailed review of the project, we have taken the decision to conclude the programme that initiated in 2015/16 to provide improved and more scalable back-office systems. Over the course of this programme we have successfully implemented Oracle in a number of functional areas including Human Resources, Customer Experience, Finance and Non-stock Procurement. Manufacturing and Warehouse Management remain functional areas not yet addressed by this IT programme. After an extensive review of business requirements and the current functionality of Oracle Cloud software as well as other best-in-class software providers, we have decided to make some changes to our approach and the software used in these areas. We have also taken this opportunity to extend the scope of the programme to integrate improvements in these functional areas with front-end system enhancements to improve the customer's end-to-end experience from website, through logistics and ultimately into manufacturing. The design phase of this new programme is underway.

As a result of the changes in the scope and nature of the programme and the usability of historical work performed, software development costs capitalised to date of £12.8m, have been impaired.

New global headquarters, Cambridge, UK

Construction of the Group's new headquarters on the Cambridge Biomedical Campus was completed during the year and we moved in without disruption to our customers or operations during February 2019. Final capitalised costs of £8.4m were incurred in 2018/19, bringing the total capital cost of the project to £23.6m, in-line with the original budget set at the start of this project. Deprecation costs of £0.4m relating to building were taken during the year, reflecting five months of occupancy.

Adjusting items

	2019 £m	2018 £m
System and process improvement costs	**(4.5)**	(6.1)
Costs associated with the new Group headquarters	**(3.7)**	(0.3)
Acquisition costs	**–**	(0.2)
Amortisation of acquisition intangibles	**(6.5)**	(5.9)
Impairment of capitalised system and process improvement costs	**(12.8)**	–
Total adjusting items affecting operating profit and before tax	**(27.5)**	(12.5)

System and process improvement costs related to our Oracle Cloud ERP project decreased by £1.6m in the year to £4.5m. In addition, as discussed in the 'Investment in systems, processes and infrastructure' section above, following proposed changes to the approach and nature of the ERP programme, an impairment charge of £12.8m has been made against assets relating to historical development work.

The Group also incurred £3.7m in dual rent and other costs relating to the move to the Group's new headquarters in Cambridge, UK.

Earnings and tax
Reported earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) was £84.3m (2017/18: £81.7m). Adjusted EBITDA rose 4.6% to £92.4m (2017/18: £88.3m), representing an adjusted EBITDA margin of 35.6% (2017/18: 37.9%).

After the non-cash impairment charge of £12.8m and depreciation and amortisation of £15.4m (2017/18: £12.9m), reported operating profit was £56.1m (2017/18: £68.8m).

Profit Before Tax (PBT) on a reported basis was £56.4m (2017/18: £69.1m). This was after net finance income of £0.3m (2017/18: £0.3m). Adjusted PBT was £83.9m (2017/18: £81.6m).

The Group's reported effective tax rate was 20.2% (2017/18: 10.0%) and has increased due to the non-reoccurrence of one-off impacts of US tax reforms in the prior year. The effective rate on adjusted profits was 19.7% (2017/18: 18.3%) with the increase mainly due to adjustments related to the disposal of assets from the Group's former UK headquarters. Notwithstanding further tax changes in the jurisdictions in which we operate, the effective rate is expected to be around 17% to 18% in the medium term, predominantly resulting from the anticipated reduction in the UK corporate tax rate to 17% from April 2020.

Basic earnings per share (EPS) was 22.0p (2017/18: 30.5p), with adjusted basic EPS of 32.9p (2017/18: 32.7p). Diluted Earnings Per Share (EPS) was 21.8p (2017/18: 30.2p). Adjusted diluted EPS increased by 0.6% to 32.6p (2017/18: 32.4p).

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 2019, the impact of foreign exchange movements in the year was £5.2m favourable in revenue and £2.4m in adjusted EBITDA, after the impact of hedging.

Cash flow and net cash

	2019 £m	2018 £m
Operating cash flows before working capital	**88.2**	81.0
Change in working capital	**(4.5)**	(8.1)
Cash generated from operations	**83.7**	72.9
Income taxes paid	**(13.5)**	(9.6)
Net cash inflow from operating activities	**70.2**	63.3
Cash outflow of investing activities	**(49.9)**	(37.7)
Cash outflow from financing activities	**(24.7)**	(20.6)
(Decrease)/increase in cash and cash equivalents	**(4.4)**	5.0
Cash and cash equivalents at beginning of year	**90.2**	84.8
Effect of foreign exchange rates	**1.3**	0.4
Cash and cash equivalents at end of the year	**87.1**	90.2
Free Cash Flow*	**34.3**	26.8

* Free Cash Flow comprises net cash generated from operating activities less net capital expenditure and cash flows relating to committed capital expenditure.

The Group remains strongly cash generative, with cash inflow from operating activities of £70.2m (2017/18: £63.3m) and Free Cash Flow of £34.3m (2017/18: £26.8m), after change in working capital of £4.5m.

Cash outflow on investing activities of £49.9m (2017/18: £37.7m) included £11.8m in relation to the 2018 acquisition of the exclusive licence agreement from Roche, £2.8m relating to the acquisition of Calico Biolabs and net capital expenditure of £35.9m. Major capital expenditure items included £13.1m and £9.6m on the Oracle Cloud ERP and new Group headquarters, respectively, as well as £6.2m on laboratory equipment to support future product innovation and £7.8m internally developed technology, predominantly novel recombinant antibodies.

After net cash outflows from financing activities of £24.7m, relating to dividend payments, together with a small foreign exchange impact, the Group ended the year with closing cash of £87.1m (2017/18: £90.2m).

Balance sheet
Goodwill and intangibles
Goodwill was £120.9m (2017/18: £114.2m) with the increase relating to exchange rate movements and the acquisition of Calico Biolabs.

Intangible assets were £106.7m (2017/18: £106.3m). Spend of £11.6m in respect of investments made in our new ERP system and £8.0m relating to the additions from internal development of the Group's product range were offset by the impairment charge against the historical capitalised costs of the ERP system of £12.8m, amortisation of £10.6m and exchange rate movements.

Property, plant and equipment
Property, plant and equipment additions of £16.8m (2017/18: £18.3m) have been made in the year, comprising £8.4m (2017/18: £13.5m) associated with the construction of our new Group headquarters and £8.4m of other investments (2017/18: £4.8m). These other investments include £6.5m spent on laboratory equipment and testing assets across our sites in the UK, the US and China.

Trade and other payables
Trade and other payables were £41.8m (2017/18: £45.8m) with the decrease due to the reduction of £11.8m in other payables arising from settlement of deferred consideration on the Spring Bioscience acquisition made in 2017/18, offset by an increase in accruals and future contract liabilities of £8.3m, inclusive of rent accruals on the Group's new headquarters.

Dividends
The Board declared an interim dividend of 3.55 pence per share which was paid to shareholders on 12 April 2019. The Board has proposed a final dividend of 8.58 pence per share, taking the total dividend for the year to 12.13 pence per share, a 1.1% increase on the previous year and equating to approximately £24.9m. The final dividend is subject to shareholder approval at the forthcoming AGM. If approved, the final dividend will be payable on 29 November 2019 to shareowners of record at the close of business on 8 November 2019. The ex-dividend date is 7 November 2019.

The Group has an established track record of consistently generating cash which is expected to continue for the foreseeable future. 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 requirements for these to be held at the Company level. At 30 June 2019, the Company held retained earnings of £268.6m, the majority of which is distributable. The Group has cash resources of £87.1m at 30 June 2019, of which £57.9m 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 'Risk overview' and 'Principal risks and uncertainties' on pages 36 to 44. Notwithstanding these risks, the Group has an established track record of consistently generating cash which is expected to continue for the foreseeable future.

Gavin Wood
Chief Financial Officer
6 September 2019

Corporate governance

Good corporate governance is vital to maintaining a culture of integrity that drives our sustainable performance and growth.

In this section

- The composition of our Board and its Committees
- The benefits of good governance
- Pay and performance
- Our ambition for governance in future years

Related content
Chief Financial Officer's Report and Financial Review – pages 46 to 53

I am pleased to present the Corporate Governance Report for the year ended 30 June 2019.

We believe that robust corporate governance is vital to maintaining the long-term sustainable performance and growth of our business. The Board and its Committees play a fundamental role in setting and maintaining a culture of good governance and integrity that is pervasive across the business. This includes providing independent support and challenge to the Executive Leadership Team (ELT), understanding the views of shareholders and other stakeholders, and ensuring that these are considered in our decision-making process. Our aim has not changed; we want to promote and maintain a culture of openness, transparency, accountability and responsibility.

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, given Abcam's market capitalisation and the benefits of good corporate governance, the Board believes that it is appropriate for Abcam to comply with the Code. I am happy to report that we have complied with almost every principle and provision of the 2016 edition of the Code. More details can be found in our Statement on Corporate Governance in the Directors' Report on page 89.

Next year we will report against the new Corporate Governance Code 2018 (2018 Code). As a Board we have reviewed the requirements of the 2018 Code and plans are in place to ensure compliance with the 2018 Code for 2019/20. The matters reserved for the Board and the terms of reference for each of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee have been updated to reflect the requirements of the 2018 Code.

Board effectiveness
My role is to ensure the Board of Abcam operates effectively in delivering the long-term sustainable performance and growth 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.

In order for the Board to be effective it requires diverse and experienced Board members many of whom have gained, and continue to gain, valuable experience from their service on other boards. The Board is mindful of the risk that Non-Executive Directors may have too many other commitments to adequately fulfil their duties to Abcam and is cognisant that the issue of potential 'over-boarding' has been an area of increased focus by stakeholders. The Board regularly reviews existing Board members' other commitments (whether listed, private or charitable enterprise). Ahead of any appointment to the Board, a detailed assessment is undertaken of any other commitments that a potential Non-Executive Director may already have, and the impact that these may have on their ability to effectively serve on the Board of Abcam. Where appropriate, a contractual obligation may be made in the Board member's service agreement to spend a specified amount of time on the duties to Abcam.

The informal Board effectiveness assessment undertaken during the year highlighted no issues of over-boarding and will be further reviewed in the formal Board evaluation that we will undertake in the coming year.

As such, whilst remaining vigilant to the danger of over-boarding, I believe that the current Board members are well able to effectively undertake their duties to Abcam.

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 our Interim and Preliminary results the CEO and CFO undertook an extensive roadshow in the UK and US 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, for example when the Board was exploring making changes to Executive Remuneration Louise Patten (SID and Chair of the Remuneration Committee) and I met with a number of major shareholders. Moreover, during this year major investors were provided the opportunity to meet me to discuss the Company's strategy and performance, and environmental, social and governance matters. We also conducted a programme of visits for shareholders to our new headquarters at Discovery Drive.

Capital investment projects
The Board and the Audit and 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. 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 been integral in considering and developing the future strategy for the IT upgrade programme.

The Board also received updates on the development of our new headquarters at the Cambridge Biomedical Campus to completion, again with particular focus on the identification and mitigation of risks associated with the investment. We are extremely satisfied that we were able to complete the move on budget and without disruption to our customers.

The year ahead
Over the coming year, and in addition to our normal duties, our focus will be considering the application of the 2018 Code which we will be reporting on in 2020 and on ensuring we review the impact of key strategic decisions made by the Board.

We continue to believe that our governance framework is robust, a point emphasised by the fact that the Board and Committees have once again operated effectively during the year.

Peter Allen
Chairman
6 September 2019

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 ProStrakan Group plc as Chairman (2007–2013) and interim CEO (2010–2011), and 12 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, experience and contribution
A chartered accountant by background, Peter brings to Abcam his experience as a 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 10 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, Syndicate Room Group Ltd and Start Codon. 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, experience and contribution
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 and contributes this knowledge to Abcam.

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 Senior Advisor to Bain & Company and a Non-Executive Director of Arthur J. Gallagher (UK) Limited, Arthur J. Gallagher Holdings (UK) Limited and Arthur J Gallagher Insurance Brokers Limited.

Skills, experience and contribution
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 Managing Director of BlueStone Venture Partners and CEO of Health Catalysts Group. 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 12 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, 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, Strateos (was 3Scan Inc), RainBird and Paradigm Diagnostics.

Skills, experience and contribution
Mara contributes her 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 has held senior executive positions in retail and financial services. She held senior roles at Marks & Spencer plc across finance and strategy, 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 & Gloucester, Lloyds Banking Group's Retail Bank and Group Finance and Group Audit Director. Sue has several years' experience as a non-executive director. Previously she was a Non-Executive Director of St. James's Place and Bank of Ireland UK, Chair of Trustees for KCP Youth and chaired the finance and audit committees of Mencap.

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

Skills,experienceandcontribution
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.

Giles Kerr, BSc FCA
Non-Executive Director

N A R

Appointed
December 2018

Background
Giles has substantial commercial and financial experience from service on numerous public and private company boards and as an audit partner. From 1990 he served in a variety of increasingly senior roles at Amersham plc, including as Chief Financial Officer and a Board member from 1997 to 2004, when the company was acquired by GE Healthcare. Prior to his roles at Amersham, he was a National Partner with Arthur Andersen. He was Director of Finance of the University of Oxford from 2005 until 2018 and was previously a Director of Victrex plc, BTG plc, and Elan Corporation Inc.

Current external appointments
Giles is currently a Non-Executive Director of Arix Bioscience plc, Adaptimmune Therapeutics plc, PayPoint plc, Senior plc and Oxford Sciences Innovation plc.

Skills,experienceandcontribution
A Fellow of the Institute of Chartered Accountants of England and Wales with over 20 years' experience in key senior positions in a number of companies, Giles has played a pivotal role in their development and growth. Giles bring his first-hand understanding of Abcam's academic research customers from his time at Oxford University.

Alan Hirzel, MS MBA
Chief Executive Officer

Appointed
January 2014

Background
Alan joined the business in 2013 following a strategic review which he led with the Founder and Board to define a long-term growth plan for Abcam. He has subsequently led the Company to achieve over 100% growth, and through substantial organisation change. Prior to joining Abcam, Alan was a Partner at Bain & Company where he advised global executives and private equity investors on growth strategy, performance improvement and acquisitions. Early in his career he worked in a variety of roles from life science researcher at Cornell University to new product development research at Kraft Foods. He holds BS, MS and MBA 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,experienceandcontribution
Alan brings to the Abcam Board a rare combination of a strong scientific background, and global business and leadership experience. He has a keen focus to ensure Abcam engages with the needs and mission of its consumers in the lab.

Gavin Wood, BA ACA
Chief Financial Officer

Appointed
September 2016

Background
Gavin is a chartered accountant who started his career in practice before joining the Unipart Group, where he had a number of roles of increasing responsibility. He moved into the life sciences sector when he joined Affymetrix Inc. (Nasdaq-quoted m: AFFX) in 2006, in a variety of roles. He was Executive Vice President and Chief Financial Officer, leading the global finance and information technology functions when Affymetrix was acquired by Thermo Fisher Scientific Inc in 2016.

Current external appointments
Gavin has no external appointments.

Skills,experienceandcontribution
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.

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. The matters reserved for the Board and the terms of reference for each of its Committees have been updated to reflect the requirements of the 2018 Code.

Board and Committee meetings/attendance during the year

The Chairman expects Non-Executive Directors to provide sufficient commitment to the Company for advance preparation and attendance at Board and Committee meetings, together with ad hoc availability at other times.

	Scheduled Board meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Current Directors				
Peter Allen	8/8	4/4	4/4	2/2
Jonathan Milner	7/8	n/a	n/a	n/a
Louise Patten	8/8	4/4	4/4	2/2
Mara Aspinall	8/8	n/a	4/4	2/2
Sue Harris	8/8	4/4	4/4	2/2
Giles Kerr[1]	4/4	0/1	1/1	1/1
Alan Hirzel	8/8	n/a	n/a	n/a
Gavin Wood	8/8	n/a	n/a	n/a

1 Giles Kerr was appointed as a member of the Board and of the Audit and Risk Committee on 12 December 2018, and as a member of the Remuneration Committee and the Nomination Committee on 19 March 2019.

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 58 and 59.

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 68 and 69

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 70 to 74

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 75 to 86

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.

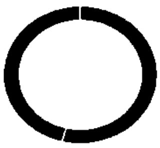
Executive Leadership Team (ELT)
A team that operates under the direction and authority of the CEO and CFO and comprises the direct reports of the CEO. It assists the Executive Directors in implementing strategy and policies and managing the operational and financial performance of the Group.

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

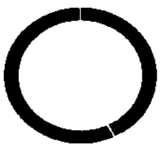
Gender diversity

The percentage of women on the Board is currently 37.5%, putting us ahead of recommended targets for FTSE 350 companies. Whilst our percentage of women on the Board and in senior roles decreased this year, we continue to seek to increase the pipeline of women into both the Board and senior management. Further details of our diversity and inclusion initiatives can be found on page 25.



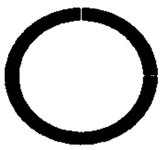
54%

Women in our total business (comprising Abcam plc only and excluding subsidiaries outside the UK)



37.5%

Women on our Board



25%

Women on our Executive Leadership Team

As at 30 June 2019

> **The Board actively encourages that a range of backgrounds, skills and experience are represented throughout all levels of the business. Diversity helps create a positive and rewarding culture throughout Abcam.**

Louise Patten
Senior Independent Director

Board composition and roles

The Board comprises the Chairman, two Executive Directors and five Non-Executive Directors, one of whom is the Deputy Chairman.

The Directors are satisfied that the current composition of the Board reflects an appropriate balance of skills, knowledge, experience and diversity. In December 2018, we appointed Giles Kerr as an additional Non-Executive Director to bring additional finance and life sciences experience to the Board. 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** **Giles Kerr**	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

We want to accelerate our growth through increasing our rate of investment and taking an agile approach to implementing our initiatives.

This year the Board has spent time with senior management assessing opportunities to invest and drive sustainable growth for the next five years. The Board has also stayed close to the business to assess the delivery of existing initiatives first hand.

"Abcam's ambitions do not stand still. As a board we want to help the business drive the next phase of Abcam's sustainable growth.

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. 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 meets the Non-Executive Directors 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. The Board has also been considering and preparing for the Corporate Governance Code 2018 and the Companies (Miscellaneous Reporting) Regulations 2018; this is 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.

What we did this year
Strategy
- Considered and approved strategic transactions and opportunities including the acquisition of Calico Biolabs.
- Reviewed progress of the development of the new Abcam headquarters at the Cambridge Biomedical Campus, including holding a Board meeting at the site before the business had moved to the building.
- 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.
- Reviewed the success of the Company-wide all employee share plan.
- Reviewed and approved all of the share scheme grants.
- Approved the appointment of a new Non-Executive Director, Giles Kerr.

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 and successful 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), the Gender Pay Gap Report, the Corporate Governance Code 2018 and the Companies (Miscellaneous Reporting) Regulations 2018.
- Reviewed feedback from institutional shareholders and analysts following the annual and interim results.
- Reviewed the Company's policies in line with their schedule of review.
- Reviewed the schedule of matters reserved for the Board.

Board in action

If we are achieving our purpose, it means we are helping scientists find solutions and advancing the sum of human knowledge. To do this we need to be audacious in our approach.

"Abcam is unwavering in its commitment to serving life scientists. The team's focus on quality and innovation are what drives the success of the business.

Giles Kerr
Independent Non-Executive Director

Board 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 each Board meeting so that 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 Legislation, the new UK Corporate Governance Code 2018, the Companies (Miscellaneous Reporting) Regulations 2018 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 83 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.

Board evaluation
Board and Committee evaluation is a valuable tool in maintaining and improving Board effectiveness. As this was the Chairman's first full year of appointment, he decided that we would undertake an informal review facilitated by the Senior Vice President of Human Resources. The Board shared feedback on its effectiveness as well as detailed feedback on each individual's strengths and potential capability gaps.

Although the Chairman was pleased with the effectiveness of the review, over the next 12 months he will work with the Board on making some changes to support the Company's growth ambitions, before an externally facilitated Board effectiveness review.

Nomination Committee

The Committee appreciates the contributions that Sue Harris and Gavin Wood have made to Abcam's success and has initiated a search for Gavin's successor as Chief Financial Officer. The Committee was pleased that the search for an additional Non-Executive Director resulted in Giles Kerr's appointment as he brings a wealth of life science industry experience to the Company. We also continued to develop plans for the orderly and progressive refresh of the Board over time.

Peter Allen
Nomination Committee Chairman

Committee meetings

2

Committee members and attendance

	Meetings
Peter Allen	2/2
Louise Patten	2/2
Mara Aspinall	2/2
Sue Harris	2/2
Giles Kerr (Member from 19 March 2019)	1/1

Key responsibilities of the Committee
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. The Committee continues to perform this with utmost professionalism and diligence.

Board changes in the year
The Nomination Committee oversaw a rigorous recruitment process for a Non-Executive Director and I was delighted to welcome Giles Kerr to the Board in December 2018. His appointment followed an extensive search which I led with the leading executive search and board advisory consultancy, Lygon Group. We developed a shortlist of candidates 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 him on 12 December 2018.

Giles brings extensive experience as both an Executive and Non-Executive Director. His appointment strengthens the Abcam Board as he brings experience of life sciences, finance and first-hand understanding of our academic research customers.

On 19 July 2019 Gavin Wood notified the Board of his intention to step down at the end of his notice period, or when we appoint a successor. The Board appreciates the work Gavin has achieved in the previous three years but recognises his desire to be closer to his family in Oxford. The Nomination Committee has approved the role specification and approved the appointment of an Executive Search Firm to lead the search for a successor.

On 6 September 2019 Sue Harris notified the Board of her intention to not seek re-election at this year's AGM. Sue has played an important role in chairing the Audit and Risk Committee to high standards over the last almost five years. The Board thanks her for this critical leadership role.

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 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 stands at 37.5%. 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 62.

Activity in the year
The Committee has supported Giles and me with our induction into the Company and this has allowed us to rapidly develop our understanding of the business and helped us to quickly assimilate. I have appreciated spending a lot of time in the business to broaden my knowledge. I have also had the opportunity to get to know many of our investors through extensive discussions as we consulted on some of our changes, and I appreciate the amount of time our investors have made available to me and to Louise Patten, SID and Chair of the Remuneration Committee.

We have undertaken an informal Board Effectiveness Review this year facilitated by the Senior Vice President of Human Resources. This allowed me to review the effectiveness of the Board before undertaking a more formal review in the next 12 months. I was pleased with the results and each Board Director has received individual feedback and has given me insight into the strengths and potential capability gaps we will need to fill in the future as the Company grows.

A number of key priority areas were identified and of particular importance is succession planning for the Executive Leadership Team to ensure a robust pipeline of potential successors. This is key in a fast-growing business like Abcam. I am pleased that Abcam continues to both attract great people and focus on the development of key talent for Executive Leadership Team succession. We also ensured the Executive Leadership Team continued to benefit from development and mentoring from the Non-Executive Directors.

Priorities for 2019/20
In addition to the search for Gavin Wood's successor, the Committee will continue to focus on succession planning, particularly for Executive Leadership Team positions, as well as supporting the mentoring of the senior team. During the course of 2019/20 we will undertake a formal Board evaluation to build on the review undertaken this year and to ensure we continue as a high-performing Board.

Peter Allen
Nomination Committee Chairman
6 September 2019

Audit and Risk Committee
This year the Committee has focused on further development of risk management and financial reporting.

Sue Harris
Audit and Risk Committee Chairman

Committee meetings

4

Committee members and attendance

	Meetings
Sue Harris (Chairman)	4/4
Peter Allen	4/4
Louise Patten	4/4
Giles Kerr (Member from 12 December 2018)	0/1

Chairman's statement
I am pleased to present the report of the Audit and Risk Committee for the year ended 30 June 2019. 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.

I am pleased to report the successful implementation of the finance and non-stock procurement modules of Oracle Cloud ERP programme which has provided a full financial accounting and reporting suite. Implementation was in April and our accounts for 2018/19 have been prepared using this new software. Going forward, we anticipate that it will improve efficiency of reporting and related financial controls and allow significantly improved financial and commercial analysis. The Committee is grateful to the finance and IT teams who have delivered this programme.

The next phase of our infrastructure investment is being planned and assessed to integrate customer-facing and supply chain elements. During the course of this assessment, it has been determined that due to changes in the scope and nature of this programme, existing assets of £12.8m have been impaired. Further details are set out in matters of significance and judgement on page 73.

Effective Committee governance
In compliance with the Corporate Governance Code 2016, 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 both I as well as Peter Allen and Giles Kerr meet the Code requirements for the Committee to include at least one member with recent and relevant financial experience as we are all qualified accountants with each of us having 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, Company Secretary (acting as secretary to the Committee), representatives of the Company's external auditor (PricewaterhouseCoopers LLP (PwC)), where relevant, certain members of senior management and the head of internal audit (function outsourced to KPMG LLP (KPMG)). 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 Group and the Company are a going concern; and
- Consider and review the statement of the Group'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 adherence to the Group's tax strategy.

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. In accordance with the Corporate Governance Code 2018, this responsibility has been assumed by the Board for the coming year.

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.

Audit and Risk Committee continued

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;
- 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 performance measures (including 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 2019, when taken as a whole, is fair, balanced and understandable; and
- Reviewing the preparation for compliance with Senior Accounting Officer (SAO) legislation which applies to the Company for the first time in respect of this current financial year.

Risk management and internal control
- Reviewing principal risks and risk appetite (set out on pages 39 to 44 to ensure effective and continual improvement in risk management including reviewing and challenging the assessment of business-wide risks and actions to mitigate these;
- 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 and approving the Group's treasury policy; and
- 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. 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 external auditor for non-audit work and approving any such work; and
- Reviewing the independence, objectivity, performance and effectiveness of the external auditor.

Effectiveness of the external auditor
The Committee undertakes an annual assessment of the effectiveness of the external auditor. This assessment incorporates the views of 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; and
- 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, an anonymous messaging inbox for messaging the CEO and compulsory online training for anti-bribery and corruption and GDPR.

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 88 and 45, 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 internally developed technology capitalised within intangible assets	Internal costs are capitalised as internally developed technology within intangible assets which is used to generate antibodies and kits. The point at which such internal costs are included and capitalised as well as their magnitude (where the amount capitalised comprises an element of overhead allocation) is a key area of judgement. 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 together with assessment of carrying value and impairment charges	The strategic ERP programme is a complex, multi-year global business transformation with numerous phases extending across multiple Group functions. Delivery of the programme is necessary to secure the Group's longer-term growth ambitions and to move from end of life legacy information technology. During the latter part of the year the finance and non-stock procurement modules of the ERP successfully went live, with HR and Customer Service modules having gone live previously. After an extensive review of business requirements and the current functionality of Oracle Cloud ERP software as well as other best in class software providers, a decision was taken to make some changes to the approach and software used in these areas. The opportunity was also taken to extend the scope of the programme to integrate improvements in these functional areas with front-end system enhancements to improve customers' end-to-end experience through logistics and ultimately into manufacturing. Taking this into account, a review was undertaken of historical expenditure incurred to date and it has been concluded that as a result of changes in the scope and nature of the original programme, and the corresponding usability of historical work performed, assets of £12.8m have been impaired. The Committee has maintained its review of the implementation of financial accounting and controls modules. In line with last year, the Committee has provided oversight of the accounting for both capital and revenue expenditure across the programme. The Committee discussed and challenged the nature of the costs, the allocation of costs to each module (as described in note 4 to the consolidated financial statements) and management's conclusions on the level of impairment charge. Primary oversight of this important programme at Board level has been maintained.

Internal audit
KPMG was appointed to provide internal audit services to the Group in 2016/17. Internal audit activity during 2018/19 has focused on:

- Payroll review in China;
- Sales catalogue pricing and discounts;
- Order fulfilment and inventory management;
- GDPR; and
- Risk management.

KPMG has provided updates on progress against the internal audit plan at each Committee meeting, including progress against actions arising from audits completed in 2017/18.

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 is open to reviews and take action on recommendations on a timely basis.

The Committee is currently overseeing a review of how the internal audit function will evolve in 2019/20.

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 £22,000 (2017/18: £25,000) compared to £186,000 (2017/18: £184,000) of audit fees. The non-audit fees as a percentage of audit fees was 12% (2017/18: 14%), which reflects the Group's 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, Sam Taylor, has served for one year and replaced Simon Ormiston who had served for a five-year term and rotated in accordance with best practice and the FRC's Ethical Standards.

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 2019/20 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 including the recent implementation of the financial and non-stock procurement Oracle Cloud ERP modules. 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 appropriately to manage in an increasingly complex business.

Sue Harris
Audit and Risk Committee Chairman
6 September 2019

Remuneration Committee
Our remuneration structure is aligned to the Company's culture and aims to support Abcam's long-term sustainable growth while fostering our underlying philosophy of share ownership.

Louise Patten
Remuneration Committee Chairman

Committee meetings

4

Committee members and attendance

	Meetings
Louise Patten (Chairman)	4/4
Peter Allen	4/4
Mara Aspinall	4/4
Sue Harris	4/4
Giles Kerr (Member from 19 March 2019)	1/1

On behalf of the Board, I am pleased to present the Committee's Report for the year ended 30 June 2019.

We delivered another solid financial performance in 2018/19, with total constant exchange rate (CER) revenue growth of 9.2%. Catalogue revenue rose 9.8% to £242.8m whilst Custom Products & Licensing revenue rose 0.4% to £17.1m, both on a CER basis. Adjusted EBITDA was £92.4m, up 4.6%. We sustained double-digit catalogue revenue growth by continuing to gain share in each of our global markets, growing at approximately twice market rates. The drivers of this growth arose from our successes in expanding our quality product range in recombinant antibodies and continuing to build out immunoassays as a new business line.

The dynamics of the markets we serve remain positive. The investments we have made, and will continue to make, are enabling Abcam to sustain strong top line growth and achieve the stretching strategic and financial targets we have set ourselves.

Within this context I would like to provide you with an overview of the Committee's major decisions during 2018/19.

Remuneration policy
In last year's Annual Report, we presented a number of changes to our Directors' Remuneration Policy following a strategic review and engagement with our stakeholders over the course of 2017/18. 87% of shareholders voted in favour of the new policy when it was put to an advisory vote at the 2018 AGM. We thank all stakeholders for their feedback throughout the process. We firmly believe that the changes made were appropriate in light of Abcam's exceptional growth and value creation since Alan Hirzel was appointed CEO, and that the new policy will continue to support Abcam's future growth and philosophy of share ownership.

New global all employee share plan
In autumn 2018, we introduced AbShare, our new global all employee share plan, with the aim of bringing greater alignment across the organisation with the interests of our stakeholders while supporting our culture and underlying philosophy of employee share ownership.

Participants in AbShare contribute 5% of their base salary over three years (1.67% per annum) which is used to buy shares in the Company at the end of the savings period. In return, the Company matches this investment by the employee at a ratio of 10 shares for every one share purchased, subject to financial performance criteria being satisfied and continuous employment.

I am delighted to say that 88% of colleagues chose to join AbShare and the plan has gained external recognition too, winning a 2019 Global Equity Organisation (GEO) award for the 'Most Innovative and Creative Plan Design (companies with <5,000 employees)'.

AbShare represents a step change in employee share ownership at Abcam and will greatly enhance the alignment of interests between colleagues and other stakeholders.

CFO departure
As announced on 22 July 2019, Gavin Wood will be stepping down as Chief Financial Officer over the next year to continue his career closer to his family home. Over the last three years Gavin has been steadfastly committed to our mission and he has significantly enhanced the finance function. I thank him for his contribution to the Company's continued development and growth and wish him every success with the next phase of his career. Details of Gavin's leaving arrangements are on page 83.

Base salary for Executive Directors
Alan Hirzel and Gavin Wood received an increase in base salary of 2.5% to £615,000 and £323,060, respectively, effective 1 July 2019, broadly in line with the average increase for Abcam's UK employees of 2.7%.

Details of the fees for members of the Non-Executive Board are set out on page 81. While no members of the Non-Executive Board are involved in determining their own fees, they are provided in this report as part of our reporting on Directors' remuneration.

2018/19 remuneration out-turns for Executive Directors
- Annual Bonus Plan (ABP) – the annual bonus out-turns in 2018/19 were 50.0% and 41.8% of the maximum award for financial and strategic measures, respectively, reflecting our performance against stretching targets during the year. In combination with strong performance which significantly exceeded expectations under the personal objectives for both of our Executive Directors, this means our Annual Bonus Plan will pay 55.8% 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 80.
- Long Term Incentive Plan (LTIP) – the awards granted to Alan Hirzel and Gavin Wood on 4 November 2016 contained performance conditions related to Earnings Per Share (EPS) and strategic KPIs measured over the three financial years ended 30 June 2019. Over the performance period, compound EPS grew 11.0% per annum against a minimum target of 8% and a maximum target of 12%. The overall achievement of strategic objectives was above threshold but below maximum, and the award will therefore vest at 76.4% of the maximum award. Further details regarding the achievement against the performance targets is on page 81.

As a Committee we will continue to ensure our remuneration structure is aligned to the Company's culture that supports Abcam's long-term sustainable growth, whilst fostering our underlying philosophy of share ownership.

Louise Patten
Remuneration Committee Chairman
6 September 2019

Remuneration at a glance

Strategic report | Corporate governance | Financial statements

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 introduced AbShare, our new global all employee share purchase plan, with a significant performance match from Abcam. AbShare represents a step change in employee share ownership at Abcam and will greatly enhance the alignment of interests between colleagues and 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 scorecard of 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 reviewed regularly 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.

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.

2018/19 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	600
CFO – Gavin Wood	315

Pensions and pension-related	
CEO – Alan Hirzel	75
CFO – Gavin Wood	42

Benefits	
CEO – Alan Hirzel	12
CFO – Gavin Wood	29

Variable

Annual bonus

Bonus out-turn for 2018/19	£'000
CEO – Alan Hirzel	502
CFO – Gavin Wood	184

Performance measures		Weighting	Overall achievement	2018/19 Out-turn (% of overall maximum)
Financial	Adjusted profit before tax	50%	Target	25.0%
Strategic	Recombinant antibody revenue growth	33%	Above threshold	13.8%
	Immunoassay revenue growth			
	Customer engagement: NPS			
Personal		17%	Maximum	17.0%
Overall		100%		55.8%

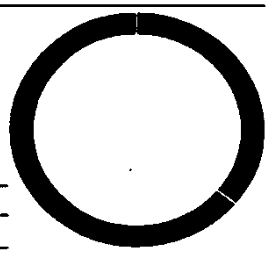
LTIP

2016 LTIP out-turn for 2016–2019	£'000
CEO – Alan Hirzel	725
CFO – Gavin Wood	363
CFO – Gavin Wood (one-off new joiner award)	440

Performance measures		Weighting	Overall achievement	LTIP vesting (% of overall maximum)
Financial	Compound annual EPS growth	70%	11%	56.5%
Strategic	RabMAb revenue growth	7.5%	Above threshold	19.9%
	Non-primaries revenue growth	7.5%		
	Net promoter score relative to market leader	7.5%		
	Market position	7.5%		
Overall		100%		76.4%

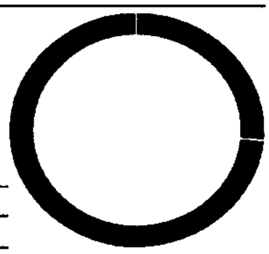
Total remuneration

CEO – Alan Hirzel



Fixed	35.9%
Variable	64.1%

CFO – Gavin Wood



Fixed	28.1%
Variable	71.9%

Shareholding requirements

		Actual shareholding as a % of salary
CEO – Alan Hirzel	200% of base salary	310.0%
CFO – Gavin Wood	200% of base salary	50.9%

Implementation of Directors' Remuneration Policy in 2019/20

Executive Directors' base salaries

The base salaries of the CEO and CFO were increased as follows with effect from 1 July 2019.

		Salary 2018/19 £000	Change	Salary as at 1 July 2019 £000
Alan Hirzel	CEO	600	2.5%	**615**
Gavin Wood	CFO	315	2.5%	**323**

Annual Bonus Plan

The overall framework under the Annual Bonus Plan (ABP) will be as follows:

	Maximum % of salary	2019/20 measures	Weighting
Annual Bonus Plan	150%, of which 30% of any bonus is deferred into shares	Financial targets	50%
		Strategic targets	33%
		Personal objectives	17%

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.

LTIP awards

In their assessment of performance and the continuation of positive growth, the Committee considered it appropriate for the 2019 LTIP award for Alan Hirzel to be made at the same level as in 2018, as set out in the table below. Following the announcement of Gavin Wood's departure, he will not be eligible for an LTIP award in 2019.

Job title	2019 award level	Proposed measures
CEO	400%	125% of salary measured against EPS (87.5%) and strategic targets (37.5%). 275% of salary measured against profitable revenue growth targets.

The EPS and strategic targets are measurable, quantifiable and aligned with the Group's KPIs and are considered appropriately stretching in the context of our business strategy.

The EPS award will be 8% growth per annum compound for threshold vesting and 12% per annum compound for maximum vesting. Vesting will be at 25% if compound EPS growth is 8% per annum compound, increasing on a straight-line basis to maximum if growth is 12% per annum compound or greater. The profitable revenue growth targets will be 6% growth per annum compound for threshold vesting and 10% per annum compound for maximum vesting, 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 to maximum if growth is 10% per annum compound 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.

Awards under the LTIP are subject to post-vesting retention periods with a restriction on sale for an additional term, as set out in the table below.

	% shares with sales restriction lifted by anniversary of vesting date			
	1 year	2 years	3 years	4 years
CEO	40%	20%	20%	20%
CFO	50%	25%	25%	—

Pensions and flexible benefits

The Executive Directors are entitled to contributions from the Company of up to 13% of base salary into a flexible benefits fund which can be used for defined contribution pension plan contributions, a range of flexible benefits, or an equivalent cash supplement. They also receive a range of core benefits such as life insurance, private medical cover and annual health screens. In addition, Gavin Wood receives a company car benefit.

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 was continued in 2018/19 with a re-calibrated notional share price. *Effective 1 July 2018, the Company 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.

Annual Report on Remuneration

AUDITED INFORMATION

a) Executive Directors' single figure for total remuneration in 2018/19

The aggregate remuneration provided to Directors is set out below.

		Fixed			Variable (performance-related)		
		Base salary £'000	Benefits[1] £'000	Pensions and pension-related[2] £'000	Annual bonus[3] £'000	LTIP payments[4,5] £'000	Total remuneration £'000
Alan Hirzel	**2018/19**	**600**	**12**	**75**	**502**	**725**	**1,914**
	2017/18	492	3	67	461	765	1,788
Gavin Wood	**2018/19**	**315**	**29**	**42**	**184**	**803**	**1,373**
	2017/18	308	24	41	288	5	666
Total[6]	**2018/19**	**915**	**41**	**117**	**686**	**1,528**	**3,287**
	2017/18	800	27	108	749	770	2,454

1 The Company operates a flexible benefits scheme through which the Executive Directors are entitled to participate in a range of benefits which include life insurance, private healthcare and company car benefits. The 2018/19 figures for Alan Hirzel and Gavin Wood also include the cost of US tax compliance support.

2 *The Executive Directors are entitled to contributions from the Company of up to 13% of base salary into a defined contribution pension plan. Where the Executive* Directors have elected not to receive full contributions from the Company, they are entitled to draw an equivalent cash supplement, adjusted for employer's National Insurance (NI) contributions, such that the Company is in a neutral position.

3 Bonus is paid 70% in cash and 30% as deferred shares which vest on the second anniversary immediately following a period of ten dealing days after the Company announces its preliminary results for the financial year, subject to continuous employment. In 2018/19 the value of the deferred share award will be $150,525 for Alan Hirzel (2017/18: $138,375) and $nil for Gavin Wood as explained further in note (f), below (2017/18: $86,484).

4 2018/19 LTIP (Long-Term Incentive Plan) payments for Alan Hirzel and Gavin Wood represent the value of the 2016 LTIP, based on the average fair market value in the final quarter, being $13.46. Gavin Wood's figure also includes his new joiner award vesting in November 2019 valued on the same basis.

5 2017/18 long-term incentives for Alan Hirzel represent the value of the 2015 LTIP which vested at 90.44% and SIP shares granted in year based on the average 2017/18 Q4 *value, being $12.68.*

6 2017/18 total excludes $192,000 paid to Jim Warwick, a former director, who resigned on 31 December 2016.

Annual Bonus Plan (ABP) – targets and performance outcomes

The 2018/19 ABP consisted of three elements: Group profit performance, achievement of strategic goals and individual performance.

Performance measures		Weighting	Threshold (25%)	Target (50%)	Exceed (75%)	Maximum (100%)	Overall achievement	2018/19 out-turn (% of overall maximum)
Financial	Adjusted PBT[1]	50%	£86–88m	£88–90m	£90–92m	>£92m	Target	25%
Strategic	Recombinant antibody revenue growth Immunoassay revenue growth Customer engagement: tNPS[2]	33%	Recombinant antibody revenue growth was achieved at threshold level of performance in the range of 22%–26%. Immunoassay revenue growth was below the threshold range. Customer engagement tNPS achieved was greater than the maximum target of 65%.				Above threshold	13.8%
Personal	Personal objectives for the Executive Directors comprising a range of targets.	17%	The Executive Directors significantly exceeded expectations under all of the personal objectives for the year. The objectives included the successful and on-time execution of: (i) Oracle Cloud ERP (ii) new headquarters, (iii) key senior leadership recruitment and (iv) corporate development activities.				Maximum	17.0%
Overall		**100.0%**						**55.8%**

1 Financial performance is based on the Group's adjusted profit before tax (adjusted PBT), amended to reflect bonuses on a budgeted exchange rate basis and any other items the Remuneration Committee considers it appropriate to adjust for.

2 In November 2018, the Company appointed a new Transactional Net Promoter Score (tNPS) survey partner. As a consequence of this, the mechanism by which customer feedback is obtained changed and resulted in a tNPS outcome that is approximately 10% lower than under the previous mechanism. As the original target was set with reference to the previous mechanism, the Committee resolved to adjust for this mid-year change on a pro-rata basis from November 2018.

a) **Executive Directors' single figure for total remuneration in 2018/19** continued

Long Term Incentive Plan (LTIP) – targets and performance outcomes

The vesting of the LTIP awards granted in 2016 to Alan Hirzel and Gavin Wood, and the performance-based element of Gavin Wood's joiner award, were based on the following performance out-turns.

Performance measures		Weighting	Threshold performance	Maximum performance	Overall achievement	LTIP vesting (% of overall maximum)
Financial	Compound annual EPS growth[1]	70%	8%	12%	**11.0%**	56.5%
Strategic	RabMAb revenue growth	7.5%	Exceeded the maximum target of 20% growth.			
	Non-primaries revenue growth	7.5%	Below the maximum target of 20% growth.			
	Net promotor score relative to market leader	7.5%	Threshold performance target not met.		**Above threshold**	19.9%
	Market position	7.5%	Achieved maximum target of 1st in primary antibodies category as well as 2nd in non-primaries antibody category.			
Overall		**100.0%**				**76.4%**

1 Earnings Per Share (EPS) compound annual growth rate, amended for events which were unforeseen when the target was set in 2016, including the incremental cost of changes to our share incentive schemes and ERP programme costs in 2019.

The PBT and EPS targets set under the Annual Bonus Plan and LTIP have been disclosed in full. For the strategic measures, targets have been disclosed where not considered commercially sensitive.

b) **2018/19 single figure for total remuneration for the Chairman and the other Non-Executive Directors (NEDs)**

The Company has a philosophy of share ownership which is extended to the Chairman and NEDs by delivering one third of their fees as Abcam shares. Shares for NEDs are awarded at the beginning of the first open period following the announcement of the annual results. PAYE and NI are deducted and the net amount is used to purchase the actual shares delivered to each NED. 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 2019:

	Fees					
	2018/19			2017/18		
	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
Current Non-Executive Directors						
Peter Allen[2]	**225**	**150**	**75**	9	9	—
Jonathan Milner	**70**	**47**	**23**	70	47	23
Louise Patten[3]	**83**	**55**	**28**	129	86	43
Sue Harris	**83**	**55**	**28**	70	47	23
Mara Aspinall[4]	**71**	**48**	**23**	70	47	23
Giles Kerr[5]	**39**	**27**	**12**	—	—	—
Past Non-Executive Directors						
Murray Hennessey[6]	—	—	—	67	67	—
Total remuneration	**571**	**382**	**189**	415	303	112

1 Shares will be awarded at the beginning of the first open period following the announcement of the annual results in September 2019.

2 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 is structured in the same way as the other Non-Executive Directors with two thirds paid in cash and one third in shares.

3 Louise Patten's fee for 2017/18 included a temporary increase of £100,000 per annum which was time apportioned to reflect her time as Interim Chairman from 14 November 2017 until 18 June 2018.

4 Mara Aspinall received tax compliance support in the preparation of her tax returns relating to her income from Abcam for which £1,200 was paid by Abcam and is included in the total fee for 2018/19.

5 Giles Kerr was appointed Non-Executive Director on 12 December 2018 and received his fee for December 2018 in cash only. Effective 1 January 2019, his fee arrangement is structured in the same way as the other Non-Executive Directors with two thirds paid in cash and one third in shares.

6 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.

AUDITED INFORMATION continued

c) Executive Directors' share scheme interests

	Date of conditional award granted in the year	Price at award date	Award basis	Maximum receivable at 1 July 2018	Awarded during the year	Vested/released during the year[1]	Lapsed	Maximum receivable at 30 June 2019
Alan Hirzel								
ABP – Deferred shares	26 Oct 18	£13.42	Up to 45% base salary	25,248	10,308	(9,169)[2]	—	**26,387**
LTIP	7 Nov 18	£12.33	400% base salary	197,011	194,647	(59,882)[2]	(6,330)	**325,446**
SIP Free shares	—	—	—	1,374	—	(601)	—	**773**
SIP Matching shares	—	—	—	713	—	(301)	—	**412**
SIP Dividend shares	30 Nov 18 &12 Apr 19	£11.54 £12.20	Per scheme rules	173	63	(59)	—	**177**
				224,519	205,018	(70,012)	(6,330)	**353,195**
Gavin Wood								
ABP – Deferred shares	26 Oct 18	£13.42	Up to 45% base salary	9,554	6,442	—	—	**15,996**
LTIP	7 Nov 18	£12.33	200% base salary	105,192	51,124	—	—	**156,316**
SIP Free shares	—	—	Per scheme rules	773	—	—	—	**773**
SIP Matching shares	—	—	Per scheme rules	412	—	—	—	**412**
SIP Dividend shares	30 Nov 18 & 12 Apr 19	£11.54 £12.20	Per scheme rules	19	17	—	—	**36**
				115,950	57,583	—	—	**173,533**

1 The out-turn for minimum performance under the LTIP is 25% with awards vesting on a straight-line basis up to the maximum depending on achievement of performance conditions.

2 The market price of shares released to Alan Hirzel under the ABP and LTIP during the year was £13.51 and £12.32, respectively, resulting in gains of £123,873 and £737,656, respectively.

Share Incentive Plan (SIP)

In 2017/18 and prior to that, the Company maintained an HM Revenue and Customs approved SIP. No awards will be granted under the SIP while AbShare, the new all employee share plan, is in place, except for Dividend reinvestments. Neither Alan Hirzel or Gavin Wood are eligible to participate in AbShare.

AUDITED INFORMATION continued

d) Directors' beneficial shareholdings and share interests

A shareholding guideline of two times salary for all Executive Directors has been in effect from the date of the 2015 AGM and was renewed at last year's meeting. 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.

Shareholdings for all Directors is set out as follows:

	Beneficially owned 30 June 2019				Beneficially owned 30 June 2018			
	Not subject to retention conditions[1]	Subject to retention conditions[2]	Total	Value as a percentage of salary[3]	Not subject to retention conditions[1]	Subject to retention conditions[2]	Total	Value as a percentage of salary/fee[3]
Executive Directors								
Alan Hirzel	**90,075**	**48,133**	**138,208**	**310.0%**	68,967	27,445	96,412	248.5%
Gavin Wood	**11,912**	**—**	**11,912**	**50.9%**	11,912	—	11,912	49.1%
Non-Executive Directors								
Jonathan Milner	**19,926,619**	**6,196**	**19,932,815**		20,886,072	4,106	20,890,178	
Peter Allen	**12,000**	**—**	**12,000**		—	—	—	
Sue Harris	**—**	**5,318**	**5,318**		—	3,240	3,240	
Louise Patten	**45,299**	**7,291**	**52,590**		37,261	3,262	40,523	
Mara Aspinall	**5,070**	**6,114**	**11,184**		5,070	2,832	7,902	
Giles Kerr	**—**	**—**	**—**		—	—	—	

1 Includes SIP shares held in trust which are not subject to forfeiture conditions upon termination of employment and shares held by connected persons.
2 Shares subject to retention conditions are entitled to dividends and accordingly are beneficially owned.
3 A value of $13.46 (30 June 2018: $12.68) per share was used to value the beneficially owned shares based on the average market share price in the final quarter of the financial year.

e) Non-executive appointments at other companies

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

f) CFO leaving arrangements

As announced on 22 July 2019, Gavin Wood has given Abcam notice of his intention to step down from the Board. To ensure an orderly transition, it has been agreed that Gavin will work his 12 month notice period with the proviso that if he secures a commensurate position before it ends, the Committee would consider releasing him early and his notice, annual bonus plan participation and pro-rata share awards would be reduced in mitigation accordingly.

The treatment of his incentive awards will be subject to time pro-rating and performance, as set out below:

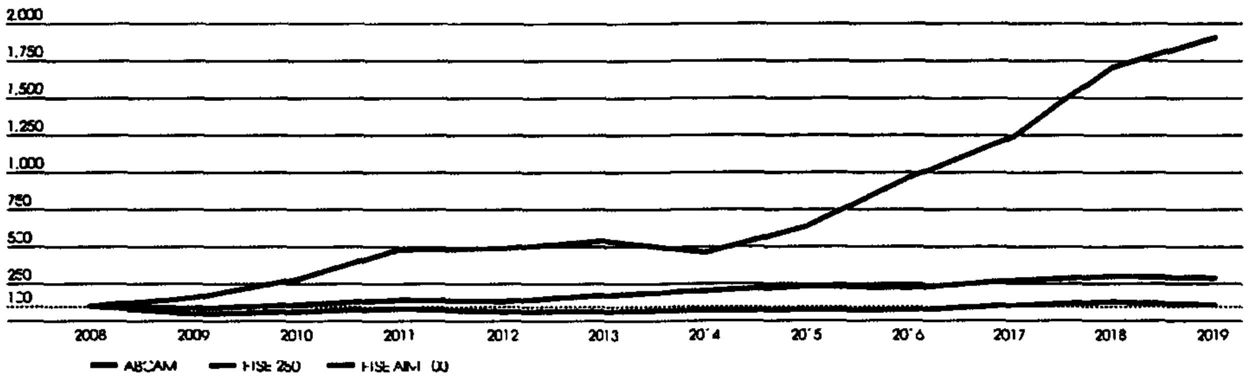
- In respect of the 2018/19 annual bonus, the cash element (70%) will be paid; however a deferred share award will not be granted, reducing the overall annual bonus for the year.
- Gavin will remain eligible to receive a cash award under the Annual Bonus Plan in respect of his performance in 2019/20, at the discretion of the Remuneration Committee. He will not be eligible for the portion deferred into shares.
- Outstanding deferred share awards in respect of the 2016/17 and 2017/18 Annual Bonus Plan will be permitted to vest in accordance with normal timelines (e.g. in September 2019 and 2020 respectively).
- No LTIP award will be granted in 2019.
- 2016, 2017 and 2018 LTIP awards will subsist and be subject to performance, pro-rated for time served during the performance period.

UNAUDITED INFORMATION

a) Performance graph

The Company's Total Shareholder Return (TSR) since 2008 compared to a broad equity market is shown in the graph below and represents the value by 30 June 2019 of £100 invested in the Company's shares on 1 July 2008 compared with the FTSE 250 Index and the FTSE AIM 100 Index. 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 (data at 30 June each year)



Source: Bloomberg

b) 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*
2018/19	Alan Hirzel	1,914	55.8%	76.4%
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.

UNAUDITED INFORMATION continued

c) Percentage change in CEO remuneration

Abcam has an international workforce of 1,155 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 2018 and 30 June 2019 for the CEO and this comparator group.

	Salary	Annual bonus[1]
CEO percentage change	2.5%	8.9%
Comparator group percentage change[2]	2.7%	-18.9%

1 Annual bonus award for the financial year paid in October following the end of the year. The CEO's bonus award was higher than the prior year due to his salary increase effective 1 July 2018.
2 Comparator group is inclusive of promotions in the annual salary review cycle.

d) Relative importance of spend on pay

The table below shows Abcam's dividend payout increased by 1.1% versus the total Group staff costs increase of 17.2% between the financial years ended 30 June 2018 and 30 June 2019.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m	% increase[3]
Dividends in respect of the financial year[1]	**24.9**	24.6	1.1%
Total Group staff costs[2]	**72.8**	62.1	17.2%

1 Dividends are the interim and final dividends paid in respect of the financial year ended 30 June 2018, and the interim dividend paid and the final dividend recommended in respect of the financial year ended 30 June 2019.
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.

e) 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 five NEDs, each of whom the Company deems to be independent: Peter Allen, Louise Patten, Sue Harris, Mara Aspinall, and Giles Kerr. Louise Patten is chairman of the Committee.

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 on 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 five 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 four times during the year. Details of attendance can be found in the Corporate Governance Report (see page 60).

UNAUDITED INFORMATION continued

e) Remuneration Committee continued

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.	£18,050

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 2018 Annual Report on Remuneration and on the Directors' Remuneration Policy at the 2018 AGM.

	Votes for		Votes against			
	Number	%	Number	%	Votes total	Votes withheld
Remuneration Report	110,136,140	67.13	53,926,252	32.87	164,062,392	42,291
2018 Remuneration Policy	141,003,710	86.65	21,715,387	13.35	162,719,097	1,385,586

Changes to our Remuneration Policy were made following a strategic review and engagement with our stakeholders. The lower voting outcome for the Remuneration Report reflects that some shareholders were not supportive of the package of changes we made. During the review, the Committee sought to hear shareholders' views via both direct communication and ongoing broader investor interaction, and the decisions made took into consideration the balance of the feedback received. The Committee firmly believes that the changes made were appropriate in light of Abcam's exceptional growth and value creation since Alan Hirzel was appointed CEO, and that the new Policy will continue to support Abcam's future growth and philosophy of share ownership.

Approval

Approved by the Board and signed on its behalf by:

Louise Patten
Remuneration Committee Chairman
6 September 2019

Directors' Report

The Directors present their Report together with the audited consolidated financial statements for the year ended 30 June 2019.

Pages 1 to 89 inclusive (together with sections of the Annual Report incorporated by reference) consist of the Strategic Report and the Directors' Report that have been drawn up and presented in accordance with and in reliance upon applicable English company law. 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 (2016 Code), can be located as follows:

Disclosure	Location
Likely future developments	Throughout the Strategic Report on pages 1 to 53
Research and development activities	Our business model on page 20 and Financial review on page 50
Financial instruments and risk management	Note 23 to the consolidated financial statements
Employee involvement	Corporate responsibility on pages 24 and 25

Dividends
The Directors recommend a final dividend of 8.58 pence (2017/18: 8.58 pence) per ordinary share to be paid on 30 November 2019 to shareholders on the register on 8 November 2019. The associated ex-dividend date will be 7 November 2019. Together with the interim dividend of 3.55 pence per share paid on 12 April 2019, this brings the total dividend for the financial year ended 30 June 2019 to 12.13 pence per share (2017/18: 12.00 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 consolidated 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.

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 12 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 83) are set out below:

	At 31 July 2019	
	Number of ordinary shares held	Percentage of issued share capital
T. Rowe Price Group	26,094,312	12.69%
Standard Life Aberdeen	11,408,697	5.55%
Baillie Gifford & Co Ltd	10,471,257	5.09%
Wasatch Advisors Inc	8,732,131	4.24%
Harding Loevner LLC	7,751,834	3.77%
Invesco Ltd	6,361,620	3.10%

As at 6 September 2019 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 6 November 2018, to purchase through the market 20,510,234 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 throughout the year and up to the date of signing the financial statements (other than Giles Kerr, who was appointed as a Non-Executive Director on 12 December 2018) are set out on pages 58 and 59. The beneficial and non-beneficial interests of the Directors in the Company's ordinary shares of 0.2 pence are disclosed in the Annual Report on Remuneration.

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 2016 Code Provision B.7.1 and therefore all Directors shall retire and all Directors, save for Sue Harris, shall stand for re-election at the AGM to be held on 13 November 2019.

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 39 to 44 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 Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX, UK on 13 November 2019 at 2.30 pm. 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, Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX, UK.

Details of the resolutions to be proposed at the meeting are set out in the Circular and Notice of AGM 2019, 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 company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated 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 58 and 59, confirms 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 believes that it is appropriate for Abcam to comply with the Code. For the year ended 30 June 2019, we have complied with all of the principles and provisions of the 2016 edition of the Code, except as follows:

- **Clawback on annual bonus cash component.** 2016 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.
- **Shareholder approval of long-term incentive schemes.** 2016 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 2016 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
6 September 2019

Marc Perkins
Associate General Counsel and Company Secretary
6 September 2019

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 consolidated 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 2019 and of the Group's profit and cash flows for the year then ended;
- the consolidated 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 2019 (the 'Annual Report'), which comprise: the consolidated and Company balance sheets as at 30 June 2019; 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 auditor's 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: £3.4m (2018: £3.5m), based on 5% of profit before tax, adjusted to exclude the charges relating to the impairment of intangibles associated with the new ERP system (£12.8m). - Overall Company materiality: £2.9m (2018: £3.3m), based on 5% of profit before tax, adjusted to exclude charges relating to the impairment of intangibles associated with the new ERP system (£12.8m).
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 81% 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 84% of revenue.
Key audit matters	- Inventory provisioning (Group and Company). - Valuation of internally developed technology included within intangible assets (Group and Company). - Classification of system and process improvement costs (Group and Company). - Valuation and impairment of ERP system (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 £36.0m and £24.3m respectively as at 30 June 2019. 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 consolidated financial statements and page 73 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 and sales in the current year. 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.
Valuation of 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, £8.0m was capitalised by the Group and £7.9m was capitalised by the Company as part of the total additions to internally developed technology (see note 4 to the consolidated financial statements and page 73 of the Audit and Risk Committee Report). The costs incurred in producing internally developed technology include a labour and overhead allocation. This allocation is capitalised into intangible assets 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 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 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 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 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 £11.6m and £11.6m 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 consolidated financial statements and page 73 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 'Chief Financial Officer's Report and Financial Review' sections, 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 and impairment of ERP system – Group and Company The Group and the Company have capitalised costs relating to the ERP system. Following the decision to take a phased roll out approach, it was necessary to allocate the costs capitalised at 30 June 2018 between different modules. The Directors calculated the split of the costs based on historical time records and where necessary have then applied this split to any remaining costs on a pro-rata basis. (See note 4 to the consolidated financial statements and page 73 of the Audit and Risk Committee Report). Having allocated the costs to each module, the Directors concluded that the level at which the impairment test should be performed should be on this modular basis. The individual modules were reviewed to identify those modules where work performed to date would no longer be utilised or would require considerable re-work. Such modules were fully impaired with a charge totalling £12.8m recorded in the consolidated income statement.	We agreed, on a sample basis, the historical time records used in the calculation to timesheets and corroborated with a sample of individuals the modules that they had worked on. We assessed management's basis for allocating the remaining costs on a pro-rata basis and checked the calculation. We re-calculated the allocation of the costs based on the derived split. We challenged management on the most appropriate basis to determine the unit of account. We agree with management that the modular level was the most appropriate basis for performing the assessment. We also considered evidence to support the future usability of modules. We re-performed the calculation of the impairment. We found no material exceptions in our testing.

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 consolidated financial statements are a consolidation of 19 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 84% of the Group's revenue and 81% of the Group's absolute profit before tax adjusted to exclude the charge relating to the impairment of intangibles related to the new ERP system (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 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 held discussions with local management and the component auditor in China and the Group engagement team 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 81% of the absolute profit before tax and 86% 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:

	Consolidated financial statements	Company financial statements
Overall Group materiality	£3.4m (2018: £3.5m).	£2.9m (2018: £3.3m).
How we determined it	5% of profit before tax, adjusted to exclude the charge relating to the impairment of intangibles associated with the new ERP system (£12.8m).	5% of profit before tax, adjusted to exclude the charge relating to the impairment of intangibles associated with the new ERP system (£12.8m).
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. In the current year, there was a significant non-cash charge relating to the impairment of intangibles associated with the new ERP system which was not reflective of the ongoing operations of the business and therefore was excluded from our materiality calculation.	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. In the current year, there was a significant non-cash charge relating to the impairment of intangibles associated with the new ERP system which was not reflective of the ongoing operations of the business and therefore was excluded from our materiality calculation.

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 £1.7m and £3.2m.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.2m (Group audit) (2018: £0.2m) and £0.2m (Company audit) (2018: £0.2m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report continued
to the members of Abcam plc

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 12 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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 2019 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 37 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 45 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 89, 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 70 to 74 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 pages 88 and 89, 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 88 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 38 and 45 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.

Sam Talyor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
6 September 2019

Consolidated income statement
For the year ended 30 June 2019

	Note	Year ended 30 June 2019 Adjusted* £m	Year ended 30 June 2019 Adjusting items* £m	Year ended 30 June 2019 Total £m	Year ended 30 June 2018 Adjusted* £m	Year ended 30 June 2018 Adjusting items* £m	Year ended 30 June 2018 Total £m
Revenue	5	**259.9**	**—**	**259.9**	233.2	—	233.2
Cost of sales		**(76.7)**	**—**	**(76.7)**	(70.2)	—	(70.2)
Gross profit		**183.2**	**—**	**183.2**	163.0	—	163.0
Selling, general and administrative expenses		**(88.9)**	**(23.2)**	**(112.1)**	(69.8)	(8.4)	(78.2)
Research and development expenses		**(10.7)**	**(4.3)**	**(15.0)**	(11.9)	(4.1)	(16.0)
Operating profit	6	**83.6**	**(27.5)**	**56.1**	81.3	(12.5)	68.8
Finance income	9	**0.6**	**—**	**0.6**	0.3	—	0.3
Finance costs	9	**(0.3)**	**—**	**(0.3)**	—	—	—
Profit before tax		**83.9**	**(27.5)**	**56.4**	81.6	(12.5)	69.1
Tax	10	**(16.5)**	**5.1**	**(11.4)**	(14.9)	8.0	(6.9)
Profit for the year attributable to the equity *shareholders of the parent*		**67.4**	**(22.4)**	**45.0**	66.7	(4.5)	62.2
Earnings per share							
Basic earnings per share	11	**32.9p**		**22.0p**	32.7p		30.5p
Diluted earnings per share	11	**32.6p**		**21.8p**	32.4p		30.2p

* Adjusted figures exclude costs associated with the new Group headquarters, systems and process improvement costs including impairment, amortisation of acquisition intangibles, acquisition costs, the tax effect of adjusting items and significant tax adjustments in respect of new US tax legislation. 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 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit for the year attributable to the equity shareholders of the parent		**45.0**	62.2
Items that may be reclassified to the income statement in subsequent years			
Movement on cash flow hedges	23	**(1.7)**	0.2
Exchange differences on translation of foreign operations		**7.0**	(1.8)
Movement in fair value of investment		**(0.1)**	(0.1)
Tax relating to components of other comprehensive income		**0.3**	—
Other comprehensive income/(loss) for the year		**5.5**	(1.7)
Total comprehensive income for the year		**50.5**	60.5

Strategic report

Corporate governance

Financial statements

Consolidated balance sheet
As at 30 June 2019

	Note	30 June 2019 $m	30 June 2018 $m
Non-current assets			
Goodwill	12	**120.9**	114.2
Intangible assets	13	**106.7**	106.3
Property, plant and equipment	14	**37.1**	25.1
Investments		**0.8**	0.9
Deferred tax asset	15	**9.4**	8.4
		274.9	254.9
Current assets			
Inventories	16	**36.0**	29.6
Trade and other receivables	17	**43.1**	39.3
Current tax receivable		**5.4**	—
Derivative financial instruments	18	**0.2**	0.8
Cash and cash equivalents		**87.1**	90.2
		171.8	159.9
Total assets		**446.7**	414.8
Current liabilities			
Trade and other payables	19	**(41.8)**	(45.8)
Derivative financial instruments	18	**(2.0)**	(0.5)
Current tax liabilities		**(1.5)**	(2.7)
		(45.3)	(49.0)
Net current assets		**126.5**	110.9
Non-current liabilities			
Deferred tax liability	15	**(16.5)**	(14.0)
Derivative financial instruments	18	**(0.1)**	(0.1)
		(16.6)	(14.1)
Total liabilities		**(61.9)**	(63.1)
Net assets		**384.8**	351.7
Equity			
Share capital	21	**0.4**	0.4
Share premium account		**27.0**	25.6
Merger reserve	21	**68.1**	68.1
Own shares	21	**(2.8)**	(3.2)
Translation reserve	21	**33.3**	26.3
Hedging reserve	21	**(1.3)**	0.1
Retained earnings		**260.1**	234.4
Total equity attributable to the equity shareholders of the parent		**384.8**	351.7

The consolidated financial statements were approved by the Board of Directors on 6 September 2019 and signed on its behalf by:

Gavin Wood
Director

Consolidated statement of changes in equity
For the year ended 30 June 2019

	Note	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 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	—	—	—	—	—	—	(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
Profit for the year		—	—	—	—	—	—	**45.0**	**45.0**
Other comprehensive income		—	—	—	—	**7.0**	**(1.4)**	**(0.1)**	**5.5**
Total comprehensive income		—	—	—	—	**7.0**	**(1.4)**	**44.9**	**50.5**
Issue of ordinary shares		—	**1.4**	—	**0.4**	—	—	**(0.4)**	**1.4**
Share-based payments inclusive of deferred tax		—	—	—	—	—	—	**6.3**	**6.3**
Purchase of own shares		—	—	—	—	—	—	**(0.2)**	**(0.2)**
Equity dividends	22	—	—	—	—	—	—	**(24.9)**	**(24.9)**
Balance as at 30 June 2019		**0.4**	**27.0**	**68.1**	**(2.8)**	**33.3**	**(1.3)**	**260.1**	**384.8**

Consolidated cash flow statement
For the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Operating profit		**56.1**	68.8
Adjustments for:			
Depreciation of property, plant and equipment	14	**4.8**	4.5
Amortisation of intangible assets	13	**10.6**	8.4
Impairment of intangible assets	13	**12.8**	—
Derivative financial instruments at fair value through profit or loss	6	**0.4**	(0.7)
Loss on disposal of property, plant and equipment		**—**	0.2
Research and development expenditure credit	6	**(1.9)**	(3.1)
Share-based payments charge	24	**6.5**	3.4
Unrealised currency translation gains		**(1.1)**	(0.5)
Operating cash flows before movements in working capital		**88.2**	81.0
Increase in inventories		**(6.1)**	(5.8)
Increase in receivables		**(6.1)**	(5.7)
Increase in payables		**7.7**	3.4
Cash generated from operations		**83.7**	72.9
Net income taxes paid		**(13.5)**	(9.6)
Net cash inflow from operating activities	*	**70.2**	63.3
Investing activities			
Interest income		**0.6**	0.3
Purchase of property, plant and equipment	*	**(17.7)**	(16.4)
Purchase of intangible assets	*	**(22.7)**	(21.0)
Transfer of cash from escrow in respect of future capital expenditure	*	**4.5**	0.9
Net cash outflow arising from acquisitions	26	**(14.6)**	(1.5)
Net cash outflow from investing activities		**(49.9)**	(37.7)
Financing activities			
Dividends paid	22	**(24.9)**	(22.1)
Proceeds on issue of shares		**1.4**	1.6
Facility arrangement fees		**(0.9)**	—
Interest paid		**(0.1)**	—
Purchase of own shares		**(0.2)**	(0.1)
Net cash outflow from financing activities		**(24.7)**	(20.6)
(Decrease)/increase in cash and cash equivalents		**(4.4)**	5.0
Cash and cash equivalents at beginning of year		**90.2**	84.8
Effect of foreign exchange rates		**1.3**	0.4
Cash and cash equivalents at end of year	(i)	**87.1**	90.2
Free Cash Flow	(ii)	**34.3**	26.8

(i) Within cash and cash equivalents is £0.4m of cash relating to employee contributions to the new Group share option scheme 'AbShare', which is reserved for the purpose of purchasing shares upon vesting.
(ii) 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.

Notes to the consolidated financial statements
For the year ended 30 June 2019

1. Presentation of the financial statements
a) General information
Abcam plc (the Company) is a public limited company whose shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is incorporated and domiciled in the UK and is 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, interpretations issued by the IFRS Interpretations Committee (IFRIC), IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated 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.

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
The Group adopted IFRS 9 and IFRS 15 on 1 July 2018. Analysis of the impacts of these standards are set out below.

IFRS 9 'Financial instruments' which replaces IAS 39 'Financial Instruments Recognition and Measurement'
In accordance with the transitional provisions set out in the standard, the Group has applied the IFRS 9 prospectively from 1 July 2018, whereby comparative figures have not been restated.

IFRS 9 is applicable to financial assets and financial liabilities, and covers classification, measurement and derecognition. The main areas of change that are relevant for the Group are:

Providing against credit risk on trade receivables – The Group has applied the simplified model specified for expected credit losses, based on the historical default rates experienced across the Group. This replaces the previous policy, which was based on estimated irrecoverable amounts determined by specific circumstance or past experience, however, this has not resulted in any significant change in outcome. As a result, at transition, no change in provision against trade receivables was required.

Equity investments – A transition election has been made to continue to recognise fair value gains and losses through the statement of other comprehensive income. This is consistent with the treatment under IAS 39 and has therefore had no transitional impact.

Derivatives – The Group purchases forward contracts to manage exposure to foreign exchange risk arising from sales in foreign currency, principally US Dollars, Euros, Japanese Yen and Chinese Renminbi. These arrangements qualify as cash flow hedges under IAS 39 and IFRS 9 and the transition to IFRS 9 has therefore not resulted in any changes to their classification or measurement, nor is there to be a change in assessing hedge effectiveness.

IFRS 15 'Revenue from contracts with customers'
The Group has applied this standard from 1 July 2018 using a fully retrospective approach. IFRS 15 supersedes IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement. Revenue is recognised when performance obligations are satisfied in respect of the transfer of goods or services at an amount that the entity expects to receive in exchange for those goods or services.

Over 90% of the Group's revenue is derived from catalogue product sales, where it has been determined that the performance obligation has been satisfied at the point when control of the products is transferred to the customer. This does not represent a change from the previous treatment under IAS 18.

The Group's other revenue streams (being custom products & licensing revenue) are such that entitlement to income is aligned to defined performance obligations and deliverables. Consequently, this also represents no change from the previous treatment under IAS 18 for revenue, profit or net assets.

2. New accounting standards, amendments and interpretations continued

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 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 where the underlying asset value is low.

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 intends to take advantage of the modified retrospective transition method whereby the lease liability is recognised as the present value of future payments on transition and the asset is recognised as the present value of the total lease payments at the lease inception and then depreciated on a straight line basis from this date. As such a transition adjustment is generated due to the difference between the value of the asset and liability. The current transition assessments, detailed below, are based on a weighted average incremental borrowing rate of 1.58%, which in turn takes advantage of the practical expedient on transition to apply a single discount rate to groups of leases with similar risk profiles. As such a single discount rate has been applied to leases in each country in which the Group operates.

The Group has conducted a review of its lease contracts and based on the leases in place at 30 June 2019 expects a decrease in net assets of £2.1m on transition at 1 July 2019.

This is the combination of a £5.9m decrease driven by the recognition of liabilities over asset values offset by the release of deferred rent accruals and prepayments of £3.8m. In the years post-transition, there would also be an impact on the Group's income statement as the fixed rental expense is replaced by a depreciation charge and an interest expense. This will lead to an increase of approximately £1m 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.

Other new standards and interpretations which are in issue but not yet effective are expected to have either no impact or no 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 when a milestone, as defined in the contract, has been completed. Each milestone is typically aligned to a customer deliverable and accordingly is considered to be a performance obligation. Every milestone has a defined transaction price. If it is identified 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.

The Group will transition to IFRS 16 from 1 July 2019, details of which are set out in note 2.

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.

3. Principal accounting policies continued

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.

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 licence
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.

3. Principal accounting policies continued

Other intangibles:

These comprise software and expenditure on capitalised internally developed technology. Internally developed technology costs 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.

The principal expected useful lives are as follows:

Software	2 to 5 years
Internally developed technology	3 to 16 years

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 and testing assets	2 to 10 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. The provision is based on the Group's expected credit loss.

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 as 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.

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 remeasured 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.

Only one critical judgement has been identified but other judgements exist which are considered to be key.

a) Critical accounting judgements

Impairment of the Group's ERP system

The Group has been capitalising costs associated with the new ERP system since 2016 as outlined in the key accounting judgements below. After an extensive review of business requirements and the current functionality of Oracle Cloud software as well as other best in class software providers, a decision was taken to make some changes to the approach and software used to address these areas. The opportunity was also taken to extend the scope of the programme to integrate improvements in these functional areas with front-end system enhancements to improve customers' end-to-end experience through logistics and ultimately into manufacturing.

Taking this into account, a review was undertaken of historical expenditure incurred to date and as part of the impairment review of assets under construction, two impairment indicators were identified: the first being modules that are no longer being utilised or which would require considerable re-work; and the second is the extended timeframe for certain modules resulting in potentially obsolete programming by the time the module goes live.

Identifying which modules may be impacted is judgemental and technically complex compounded by identifying and in particular, allocating the costs specifically related to each individual module in question. In this respect, the split of labour costs has been based on historical time records and, where necessary, this apportionment by module has been applied to any remaining costs.

b) 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 13. This requires judgement to determine that the characteristics of such assets meet the relevant criteria of IAS 38 for classification as an intangible asset.

Internally developed technology capitalised

Internal costs are capitalised as internally developed technology within intangible assets which are used to generate antibodies and kits. The point at which such internal costs are 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 capitalisation as intangible assets.

c) Key sources of estimation uncertainty

Provision for slow-moving or defective inventory

The provision for slow-moving inventory is based on the Directors' 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.

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) is set out below:

	Revenue		Non-current assets	
	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m	As at 30 June 2019 £m	As at 30 June 2018 £m
US	**115.6**	97.4	**169.9**	165.2
China	**39.9**	33.1	**3.8**	3.2
Japan	**16.9**	16.4	**0.1**	0.1
Germany	**15.2**	13.4	**—**	—
UK	**13.6**	13.6	**91.3**	77.9
Other countries	**58.7**	59.3	**0.4**	0.1
	259.9	233.2	**265.5**	246.5

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 2019 £m	Year ended 30 June 2018 £m
Catalogue revenue	**242.8**	216.8
Custom products & licensing revenue*	**17.1**	16.4
Total reported revenue	**259.9**	233.2

* Includes custom services, IVD/IHC, royalties and licence income.

Because all service projects within a contract had an original expected duration of one year or less, the Group has taken advantage of the exemption not to disclose outstanding amounts in respect of uncompleted contracts.

6. Profit for the year

Profit for the year is stated after charging/(crediting):

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cost of inventories recognised as an expense	59.3	58.8
Write down of inventories recognised as an expense	1.4	0.8
R&D expenditure (excluding UK tax credits)	16.9	19.1
UK R&D tax credits	(1.9)	(3.1)
Operating lease rentals	8.9	5.4
Movements arising on financial instruments at fair value through profit or loss	0.4	(0.7)
Other net foreign exchange differences (including cash flow hedge movements reclassified from other comprehensive income)	(0.1)	(0.9)

Auditor's remuneration comprised the following:

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Audit services – Group and parent company	178	176
– subsidiary companies pursuant to legislation	8	8
Total audit fees	186	184
Audit-related assurance services (interim review)	22	21
Other services	1	4
Total auditor remuneration	209	209

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 74.

7. Adjusted performance measures

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

		Year ended 30 June 2019			Year ended 30 June 2018		
	Note	Adjusted £m	Adjusting items £m	Total £m	Adjusted £m	Adjusting items £m	Total £m
EBITDA*		**92.4**	**(8.1)**	**84.3**	88.3	(6.6)	81.7
Depreciation and amortisation		**(8.8)**	**(19.4)**	**(28.2)**	(7.0)	(5.9)	(12.9)
Operating profit		**83.6**	**(27.5)**	**56.1**	81.3	(12.5)	68.8
Finance income	9	**0.6**	**—**	**0.6**	0.3	—	0.3
Finance costs	9	**(0.3)**	**—**	**(0.3)**	—	—	—
Profit before tax		**83.9**	**(27.5)**	**56.4**	81.6	(12.5)	69.1
Tax	10	**(16.5)**	**5.1**	**(11.4)**	(14.9)	8.0	(6.9)
Profit for the period		**67.4**	**(22.4)**	**45.0**	66.7	(4.5)	62.2

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

Analysis of adjusting items		Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Affecting EBITDA			
System and process improvement costs	(i)	**(4.5)**	(6.1)
Costs associated with new Group headquarters	(ii)	**(3.6)**	(0.3)
Acquisition costs		**—**	(0.2)
		(8.1)	(6.6)
Affecting depreciation and amortisation			
Impairment of software assets	(iii)	**(12.8)**	—
New Group headquarters depreciation	(ii)	**(0.1)**	—
Amortisation of acquisition intangibles	(iv)	**(6.5)**	(5.9)
		(19.4)	(5.9)
Affecting operating profit and profit before tax		**(27.5)**	(12.5)
Affecting tax			
Tax effect of adjusting items		**5.3**	2.8
Net tax effect of new US tax legislation		**(0.2)**	5.2
Total adjusting items		**(22.4)**	(4.5)

(i) Comprises costs of the ERP implementation which do not qualify for capitalisation.
(ii) Relates to costs associated with the new Group headquarters. Depreciation relates to assets prior to occupation of the building and being brought into use.
(iii) The strategic ERP project is a complex, multi year global business transformation with numerous phases extending across multiple Group functions. Following achievement of the most recent implementation milestone, a review was undertaken of historical expenditure incurred to date on outstanding modules to assess whether each element remains appropriate to the business's needs. In addition, whether the work undertaken to date on each module remains usable going forwards was subject to further scrutiny, judgement and challenge. Further information is set out in note 4. Following the review, it has been concluded that as a result of changes in the scope and nature of the programme and the corresponding usability of historical work performed, software assets of £12.8m have been impaired.
(iv) £4.3m (2018: £4.1m) of amortisation of acquisition intangibles is included within research and development expenses, with the remaining £2.2m (2018: £1.8m) included within selling, general and administrative expenses.

8. Employees

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

	Year ended 30 June 2019 number	Year ended 30 June 2018 number
Management, administrative, marketing and distribution	784	741
Laboratory	371	313
	1,155	1,054

Their aggregate remuneration comprised:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	56.0	49.7
Social security costs	6.8	6.1
Other pension costs	3.5	2.9
Share-based payments charge	6.5	3.4
Total staff costs	72.8	62.1
Staff costs capitalised*	(1.5)	(1.9)
Net staff costs	71.3	60.2

* 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 note 27 and the Annual Report on Remuneration on pages 80 and 81.

9. Finance income and costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Interest receivable	0.6	0.3
Finance income	0.6	0.3
Borrowing costs*	(0.3)	—
Finance costs	(0.3)	—
Net finance income	0.3	0.3

* Borrowing costs comprise mainly the amortisation of up-front fees associated with the set up of the Group's Revolving Credit Facility (RCF) of $200m which was entered into during the year. These fees are being amortised over three years, being the initial term of the RCF.

10. Taxation

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Current tax			
Current income tax charge		9.7	15.8
Adjustment in respect of prior years		0.2	(1.4)
		9.9	14.4
Deferred tax			
Origination and reversal of temporary differences		0.6	(13.8)
Adjustment in respect of prior years		1.1	0.3
Effect of tax rate change		(0.2)	6.0
	15	1.5	(7.5)
Total income tax charge		11.4	6.9
Adjusted income tax charge*		16.5	14.9

* 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 20.2% (2018: 10.0%) and has increased mainly due to the non-reoccurrence of one-off impacts of the US tax reforms (in particular the revaluation of deferred tax balances associated with the Group's acquired *intangible assets which impacted the 2018 rate). The effective rate on adjusted profits is 19.7% (2018: 18.3%).*

The UK corporation tax rate for the year was 19.0% (2018: 19.0%). 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 2019 £m	Year ended 30 June 2018 £m
Profit before tax	56.4	69.1
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	10.7	13.1
Adjustment in respect of overseas tax rates	1.4	0.9
Adjustments in respect of prior years	1.3	(1.1)
Tax effect of non-taxable income	(0.9)	(0.3)
Relief in relation to overseas entities	(0.3)	—
Overseas R&D tax credit uplift	(0.6)	(0.5)
Overseas taxes arising from changes in tax legislation	—	0.8
Effect of tax rate change on deferred tax balances	(0.2)	(6.0)
Tax expense for the year	11.4	6.9

11. Earnings per share

The calculations 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 respectively, 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 2019 £m	Year ended 30 June 2018 £m
Earnings		
Profit attributable to equity shareholders of the parent – adjusted	**67.4**	66.7
Adjusting items (see note 7)	**(22.4)**	(4.5)
Profit attributable to equity shareholders of the parent – reported	**45.0**	62.2

	million	million
Number of shares		
Weighted average number of ordinary shares in issue	**205.4**	204.8
Less ordinary shares held by Equiniti Share Plan Trustees Limited	**(0.5)**	(0.6)
Weighted average number of ordinary shares for the purposes of basic EPS	**204.9**	204.2
Effect of potentially dilutive ordinary shares – share options and awards	**1.8**	1.6
Weighted average number of ordinary shares for the purposes of diluted EPS	**206.7**	205.8

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 2019	Year ended 30 June 2018
Basic EPS	**22.0p**	30.5p
Diluted EPS	**21.8p**	30.2p
Adjusted basic EPS	**32.9p**	32.7p
Adjusted diluted EPS	**32.6p**	32.4p

12. Goodwill

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cost and carrying amount			
At beginning of year		**114.2**	115.5
Additions	26	**2.8**	0.1
Exchange differences		**3.9**	(1.4)
At end of year		**120.9**	114.2

Goodwill is converted at the exchange rate on the date of acquisition and retranslated at the balance sheet date.

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 2.3% has been used in the extrapolation of cash flows beyond the five years.

A pre-tax discount rate of 6.8% 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 significant 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.

Notes to the consolidated financial statements continued
For the year ended 30 June 2019

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 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	(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
Additions	**—**	**0.6**	**—**	**—**	**0.6**	**13.4**	**8.0**	**22.0**
Disposals in year	**(0.6)**	**—**	**—**	**—**	**(0.6)**	**(6.9)**	**—**	**(7.5)**
Exchange differences	**0.2**	**2.3**	**0.2**	**0.1**	**2.8**	**—**	**0.2**	**3.0**
At 30 June 2019	**6.9**	**68.5**	**15.7**	**2.6**	**93.7**	**51.8**	**27.9**	**173.4**
Accumulated amortisation								
At 1 July 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	(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
Charge for the year	**0.8**	**4.2**	**1.2**	**0.3**	**6.5**	**1.9**	**2.2**	**10.6**
Impairment	**—**	**—**	**—**	**—**	**—**	**12.8**	**—**	**12.8**
Disposals in year	**(0.6)**	**—**	**—**	**—**	**(0.6)**	**(6.9)**	**—**	**(7.5)**
Exchange differences	**0.1**	**0.8**	**0.1**	**0.1**	**1.1**	**—**	**0.1**	**1.2**
At 30 June 2019	**5.1**	**22.9**	**6.0**	**2.3**	**36.3**	**20.8**	**9.6**	**66.7**
Carrying amount								
At 30 June 2018	2.5	47.7	10.8	0.6	61.6	32.3	12.4	106.3
At 30 June 2019	**1.8**	**45.6**	**9.7**	**0.3**	**57.4**	**31.0**	**18.3**	**106.7**
Included in carrying amount – Assets under construction								
At 30 June 2018	—	—	—	—	—	29.8	1.9	31.7
At 30 June 2019	**—**	**—**	**—**	**—**	**—**	**13.3**	**3.9**	**16.2**

* The reclassification in 2017/18 represented a change from property, plant and equipment to intangible assets.

Amortisation of £6.2m (2018: £4.9m) is included within Research and development expenses and £4.4m (2018: £3.5m) is included within Selling, general and administrative expenses.

Following achievement of the most recent implementation milestone of the ERP implementation project, a review was undertaken of historical expenditure incurred to date on outstanding modules included within software. It has been concluded that as a result of changes in the scope and nature of the programme, assets of £12.8m have been impaired as described further in note 7.

13. Intangible assets continued

Individually material intangible assets

The Group's new ERP system is considered to be an individually material intangible asset, of which £15.6m is included within software which is being amortised over a five year period with a remaining amortisation period of between two and five years. The remainder is the balance shown as assets under construction.

Patents, technology and know-how and Licence 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	13.9	8
Firefly BioWorks Multiplex and assay technology	15.7	10
AxioMx In Vitro monoclonal antibody production technology	15.3	14
Roche licence agreement	9.0	9

14. Property, plant and equipment

	Laboratory equipment and testing assets £m	Office fixtures, fittings and other equipment £m	Internally developed technology* £m	Leasehold improvements £m	Total £m
Cost					
At 1 July 2017	14.2	15.5	15.5	1.7	46.9
Additions	2.4	0.4	2.0	13.5	18.3
Disposals in year	(0.6)	(2.3)	—	—	(2.9)
Reclassification*	—	—	(17.3)	—	(17.3)
Exchange differences	—	(0.1)	(0.2)	—	(0.3)
As 30 June 2018	16.0	13.5	—	15.2	44.7
Additions	**7.2**	**4.7**	—	**4.9**	**16.8**
Disposals	**(0.4)**	**(3.3)**	—	—	**(3.7)**
Exchange differences	**0.2**	**0.2**	—	—	**0.4**
At 30 June 2019	**23.0**	**15.1**	—	**20.1**	**58.2**
Accumulated depreciation					
At 1 July 2017	9.2	9.7	5.7	—	24.6
Charge for the year	1.8	1.8	0.9	—	4.5
Disposals in year	(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
Charge for the year	**2.4**	**2.0**	—	**0.4**	**4.8**
Disposals	**(0.4)**	**(3.3)**	—	—	**(3.7)**
Exchange differences	**0.2**	**0.2**	—	—	**0.4**
At 30 June 2019	**12.6**	**8.1**	—	**0.4**	**21.1**
Net book value					
At 30 June 2018	5.6	4.3	—	15.2	25.1
At 30 June 2019	**10.4**	**7.0**	—	**19.7**	**37.1**
Included in net book value – Assets under construction					
At 30 June 2018	—	—	—	15.2	15.2
At 30 June 2019	—	—	—	—	—

* The reclassification in 2017/18 represented a change from property, plant and equipment to intangible assets.

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 2017	(0.7)	0.1	1.7	(21.9)	1.9	3.6	(15.3)
Credit/(charge) 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)
(Charge)/credit to income	**(3.3)**	—	**0.3**	**1.4**	**(0.3)**	**0.4**	**(1.5)**
Credit to equity	—	**0.3**	**0.1**	—	—	—	**0.4**
Exchange differences	—	—	—	**(0.6)**	**0.2**	—	**(0.4)**
At 30 June 2019	**(4.1)**	**0.3**	**4.0**	**(12.4)**	**1.3**	**3.8**	**(7.1)**

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 2019 £m	30 June 2018 £m
Deferred tax assets to be recovered		
Within 12 months	**6.9**	4.2
After more than 12 months	**2.5**	4.2
	9.4	8.4
Deferred tax liabilities to be recovered		
Within 12 months	**(1.4)**	(3.1)
After more than 12 months	**(15.1)**	(10.9)
	(16.5)	(14.0)
Deferred tax liabilities (net)	**(7.1)**	(5.6)

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.

16. Inventories

	30 June 2019 £m	30 June 2018 £m
Raw materials	**5.7**	4.4
Work in progress	**3.1**	2.9
Finished goods and goods for resale	**27.2**	22.3
	36.0	29.6

17. Trade and other receivables

	30 June 2019 £m	30 June 2018 £m
Amounts receivable for the sale of goods and services	**29.4**	25.0
Less provision for bad and doubtful debts	**(0.1)**	(0.1)
	29.3	24.9
Other receivables*	**9.4**	11.6
Prepayments	**4.4**	2.8
	43.1	39.3

* Other receivables includes £0.7m (2018: £5.2m) held in escrow to fund further required payments to be made to contractors in respect of the construction of the Group's now completed new global headquarters on the Cambridge Biomedical Campus.

17. Trade and other receivables continued

Ageing of trade receivables:

	30 June 2019 Gross £m	30 June 2019 Provision £m	30 June 2019 Net £m	30 June 2018 Gross £m	30 June 2018 Provision £m	30 June 2018 Net £m
Not past due	**23.0**	**—**	**23.0**	19.6	—	19.6
Past due						
0 to 30 days	**3.8**	**—**	**3.8**	3.4	—	3.4
30 to 60 days	**1.3**	**—**	**1.3**	1.1	—	1.1
More than 60 days	**1.3**	**(0.1)**	**1.2**	0.9	(0.1)	0.8
	6.4	**(0.1)**	**6.3**	5.4	(0.1)	5.3
	29.4	**(0.1)**	**29.3**	25.0	(0.1)	24.9

Movement in provision for bad and doubtful debts

	30 June 2019 £m	30 June 2018 £m
Balance at beginning of year	**(0.1)**	—
Impairment losses recognised in the income statement	**—**	(0.1)
Balance at end of year	**(0.1)**	(0.1)

The average credit period taken for sales is 35 days (2018: 33 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 historical default experience as described in note 2.

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 2019

	Current Asset £m	Current Liability £m	Non-current Liability £m	Total £m
Derivatives carried at fair value through profit and loss				
Forward exchange contracts that are not designated in hedge accounting relationships	**—**	**(0.4)**	**—**	**(0.4)**
Derivatives that are designated and effective as hedging instruments carried at fair value				
Forward exchange contracts	**0.2**	**(1.6)**	**(0.1)**	**(1.5)**
	0.2	**(2.0)**	**(0.1)**	**(1.9)**

30 June 2018

	Current Asset £m	Current Liability £m	Non-current 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

Further details of derivative financial instruments are provided in note 23.

19. Trade and other payables

	30 June 2019 £m	30 June 2018 £m
Amounts falling due within one year		
Trade payables	**7.0**	7.0
Accruals and future contract liabilities	**31.7**	23.4
Other taxes and social security	**1.0**	1.1
Other payables	**2.1**	14.3
	41.8	45.8

At 30 June 2019, the Group had an average of 28 days of purchases (30 June 2018: 30 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 £nil (2018: £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 2019 £m	30 June 2018 £m
Total undiscounted future committed payments falling due:		
Within one year	**8.9**	9.1
Between one to five years	**25.3**	25.1
After more than five years	**49.4**	52.2
	83.6	86.4

The above committed payments represent rentals payable by the Company for its properties with renewal terms ranging between 1 and 19 years. The future minimum sub-lease payments expected to be received under non-cancellable sub-leases is £0.7m (2018: £0.4m).

Future capital expenditure

	30 June 2019 £m	30 June 2018 £m
Contracted for but not provided	**—**	5.8

Capital commitments at 30 June 2018 related predominantly to funds held in escrow in respect of the construction of the Group's now completed new global headquarters on the Cambridge Biomedical Campus.

21. Share capital and reserves

Share capital

	30 June 2019 £m	30 June 2018 £m
Authorised, issued and fully paid:		
205,671,564 (2018: 205,044,686) ordinary shares of 0.2 pence each	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 2019		30 June 2018	
	Nominal value £'000	Number	Nominal value £'000	Number
Own shares	1	484,811	1	589,968

Translation reserve

Represents exchange differences on translation of overseas operations.

Hedging reserve

Comprises gains and losses recognised on cash flow hedges and the associated deferred tax assets.

22. Dividends

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Amounts recognised as distributions to the equity shareholders in the year:		
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 3.42 pence per share	—	7.0
Final dividend for the year ended 30 June 2018 of 8.58 pence per share	17.6	—
Interim dividend for the year ended 30 June 2019 of 3.55 pence per share	7.3	—
Total distributions to owners of the parent in the period	24.9	22.1

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 2019 £m
Proposed final dividend for the year ended 30 June 2019 of 8.58 pence per share	17.6

23. Financial instruments

Capital risk management

The capital structure of the Group comprises of cash and cash equivalents, a Revolving Credit Facility of £200m (with a £100m additional accordion option and an initial term of three years) 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 which 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

This 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, Japanese Yen and Chinese Renminbi (RMB). Collectively these currencies make up approximately 90% 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 yield curves 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 2019 Average rate	30 June 2019 Foreign currency million	30 June 2018 Average rate	30 June 2018 Foreign currency million
Sell US Dollars				
Less than 3 months	1.34	$8.9	1.30	$9.9
3 to 6 months	1.32	$11.5	1.33	$7.4
7 to 12 months	1.33	$8.3	1.35	$11.5
13 to 18 months	—	—	1.37	$5.3
	1.33	$28.7	1.34	$34.1
Sell Euros				
Less than 3 months	1.11	€11.8	1.12	€10.9
3 to 6 months	1.11	€13.2	1.12	€12.4
7 to 12 months	1.11	€17.4	1.12	€20.2
13 to 18 months	1.14	€1.4	1.12	€6.0
	1.11	€43.8	1.12	€49.5
Sell Yen				
Less than 3 months	145.26	¥430.7	143.22	¥370.3
3 to 6 months	143.23	¥484.8	144.72	¥423.1
7 to 12 months	141.58	¥954.5	147.28	¥975.0
13 to 18 months	141.99	¥241.0	145.87	¥299.3
	142.74	¥2,111.0	145.27	¥2,067.7
Sell Chinese Renminbi				
Less than 3 months	8.91	¥34.1	8.92	¥20.2
3 to 6 months	8.96	¥27.0	8.84	¥11.5
7 to 12 months	9.02	¥54.6	—	—
	8.97	¥115.7	8.88	¥31.7

23. Financial instruments continued

At 30 June 2019, the fair value of contracts held as cash flow hedges is a net liability of £1.5m (2018: net asset of £0.1m).

The movement recognised in other comprehensive income in the period:

	30 June 2019	30 June 2018
(Loss)/gain in the year	**(2.1)**	0.9
Recycled to profit and loss	**0.4**	(0.7)
(Loss)/gain recognised in other comprehensive income	**(1.7)**	0.2

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 a reasonably possible change in foreign exchange rates over a 12 month period.

The sensitivity analysis below only includes financial instruments denominated in non-functional currency and forward currency contracts outstanding at the reporting date and represents the impact of an immediate change in Sterling against 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 2019								
Income statement	**—**	**(0.2)**	**0.7**	**(0.8)**	**0.1**	**(0.5)**	**0.5**	**(0.7)**
Other comprehensive income	**1.2**	**(3.1)**	**2.8**	**(3.7)**	**0.6**	**(1.9)**	**0**	**(0.1)**
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)

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

This 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
30 June 2019				
Trade and other payables	**30.6**	**0.4**	**—**	**31.0**
Derivative financial instruments	**52.1**	**35.4**	**3.0**	**90.5**

	Less than six months £m	Between six months and one year £m	Over one year £m	Total £m
30 June 2018				
Trade and other payables	41.3	2.2	—	43.5
Derivative financial instruments	42.7	33.3	11.4	87.4

The Group holds sufficient funds to meet these commitments as they fall due.

Credit risk

This 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. 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 2019 £m	Carrying and fair value 30 June 2018 £m
Financial instruments held at amortised cost		
Trade receivables	**29.3**	24.9
Other receivables	**2.5**	2.0
Cash and cash equivalents	**87.1**	90.2
Trade and other payables*	**(31.0)**	(43.5)
Financial instruments held at fair value		
Derivative financial instruments	**(1.9)**	0.2
Investment	**0.8**	0.9

* 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.

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 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments	—	**0.2**	—	**0.2**
Investment	**0.8**	—	—	**0.8**
Total assets	**0.8**	**0.2**	—	**1.0**
Liabilities				
Derivative financial instruments	—	**(2.1)**	—	**(2.1)**
Total liabilities	—	**(2.1)**	—	**(2.1)**

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)

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 2019 £m	Year ended 30 June 2018 £m
Expense arising from share-based payment transactions:		
Included in Selling, general and administrative expenses	5.5	2.9
Included in Research and Development expenses	1.0	0.5
	6.5	3.4
Equity settled share-based payment expense	6.2	3.0
Cash settled share-based payment expense*	0.3	0.4
	6.5	3.4

* The total liability as at 30 June 2019 was £0.6m (30 June 2018: £0.5m) of which £0.2m (2018: £nil) 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);
- Non-Executive Directors (NED) share award; and
- 2018 Employee Share Scheme (AbShare)

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 10 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

	Year ended 30 June 2019		Year ended 30 June 2018	
	Number	Weighted average exercise price pence	Number	Weighted average exercise price pence
Outstanding at beginning of year	1,386,655	644.3	1,456,393	491.7
Granted	—	—	445,900	1,020.0
Forfeited	(164,220)	866.6	(161,017)	776.0
Exercised	(274,487)	525.6	(354,621)	430.2
Outstanding at end of year	947,948	640.1	1,386,655	644.3
Number of options exercisable at end of year	281,438	536.7	457,389	446.2

		Year ended 30 June 2019		Year ended 30 June 2018	
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	256,955	4.3 years	437,430	5.4 years
598.0p	2016	155,327	6.3 years	233,229	7.3 years
851.0p	2017	214,798	7.4 years	322,246	8.4 years
1,020.0p	2018	320,868	8.4 years	393,750	9.4 years
		947,948	6.7 years	1,386,655	7.5 years

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average fair value of options granted	—	190.7p
Weighted average share price at date of exercise	1,310.5p	1,083.7p

24. Share-based payments continued

Options issued under the 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.

There were not any grants issued under the SOS in the year ended 30 June 2019. The inputs into the Monte Carlo model for options issued during the prior year were as follows:

	Year ended 30 June 2019	Year ended 30 June 2018
Share price at grant (pence)	—	1,042.0
Fair value at valuation date (pence)	—	175.8–217.9
Exercise price (pence)	—	1,020.0
Expected volatility	—	23%–24%
Contractual life	—	5–7 years
Expected dividend yield	—	0.98%
Risk-free interest rate	—	0.43%–0.61%

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 2019	Year ended 30 June 2018
Outstanding at beginning of year	**1,022,757**	965,312
Granted	**483,339**	267,330
Forfeited	**(141,797)**	(48,210)
Exercised	**(376,172)**	(161,675)
Outstanding at end of year	**988,127**	1,022,757
Number of options exercisable at end of year	**63,996**	126,742

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average fair value of awards granted	**1,245.1p**	989.9p
Weighted average share price at date of exercise	**1,304.4p**	1,067.8p
Weighted average remaining contractual life	**4.3 years**	7.4 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:

	Year ended 30 June 2019		Year ended 30 June 2018	
	LTIP	DSA	LTIP	DSA
Share price at grant (pence)	**1,251.0**	**1,337.0**	1,042.0	970.0
Expected volatility	**26%**	**24%**	23%	23%
Contractual life (years)	**3 years**	**3 years**	3 years	3 years
Expected dividend yield	**0.81%**	**0.81%**	0.98%	1.05%
Risk-free interest rate	**0.91%**	**0.75%**	0.50%	0.55%

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 Annual Report on Remuneration on page 81. 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.

24. Share-based payments continued

All employee share schemes: AbShare, SIPs

AbShare

In Autumn 2018, the Company launched a new share scheme (AbShare) where all employees globally, excluding Executive Directors, are eligible to participate. Each employee who participates is required to contribute 5% of their salary spread across three years (therefore equating to 1.67% per annum). Upon vesting in October 2021, and subject to certain performance conditions being met, the funds contributed will be used as consideration for the issue of the predetermined number of shares to the employee with the Company issuing a further 10 shares for each share issued.

	Year ended 30 June 2019
Outstanding at beginning of year	—
Granted	1,694,429
Forfeited	(130,262)
Exercised	—
Outstanding at end of year	**1,564,167**
Number of options exercisable at end of year	—

	Year ended 30 June 2019
Weighted average fair value of awards granted	1,131.4p
Weighted average remaining contractual life	2.4 years

Fair values of the awards are calculated using the Black-Scholes model. The inputs into the models for awards granted in the current year were as follows:

	Year ended 30 June 2019
Share price at grant (pence)	1,251.0
Expected volatility	26%
Contractual life (years)	3 years
Expected dividend yield	0.81%
Risk-free interest rate	0.91%

The inputs to the Black-Scholes model, such as expected volatility, are based on the same calculation as those for other schemes.

24. Share-based payments continued

SIP

Up until October 2018, all UK-based employees were eligible to participate in the SIP whereby employees could 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, also up until October 2018, the Company also awarded 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.

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.

	Number of Free Shares		Number of Matching Shares	
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2019	Year ended 30 June 2018
Outstanding at beginning of year	**447,841**	515,393	**115,928**	134,201
Granted during year	**—**	93,078	**7,323**	31,860
Forfeited during year	**(18,982)**	(42,269)	**(7,227)**	(17,072)
Exercised during year	**(77,672)**	(118,361)	**(27,485)**	(33,061)
Outstanding at end of year	**351,187**	447,841	**88,539**	115,928
Exercisable at end of year	**167,425**	215,268	**48,333**	72,009

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted average fair value of options granted	**—**	1,042.0p

Other awards: NED share award

A component of the Non-Executive Directors' remuneration is delivered as a fixed number of fully paid ordinary shares in the first open period following the announcement of annual results of the financial year to which the award relates.

Further details are included in note (b) to the Annual Report on Remuneration on page 81.

25. Retirement benefit schemes

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Total charge to income statement in respect of defined contribution schemes	**3.5**	2.9

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.

As at 30 June 2019 contributions of £0.3m (2018: £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

26. Business combinations

Year ended 30 June 2019
On 24 January 2019, the Group completed the acquisition of 100% of the share capital of Calico Biolabs Inc (Calico), a developer of recombinant rabbit monoclonal antibodies for diagnostic and biopharmaceutical companies, for total cash consideration of $4.6m (£3.6m), of which $0.9m (£0.7m) is deferred for 12 months from the acquisition date.

The acquisition strategically expands Abcam's leading position in rabbit monoclonal antibodies, bringing a small catalogue of ready-made antibodies for immunohistochemistry (IHC) applications in addition to custom development services.

The provisional fair value of identifiable assets acquired was as follows:

	£m
Non-current assets	
Intangible assets	**0.6**
Net current assets	**0.2**
Total identifiable assets acquired	**0.8**
Goodwill	**2.8**
Total consideration	**3.6**

Net current assets comprised cash of £0.1m, trade receivables of £0.2m and trade payables of £0.1m.

Since the date of acquisition to 30 June 2019, the acquisition contributed £0.3m to the Group's revenue and a loss before tax of £0.1m over the same period.

Had Calico been consolidated from 1 July 2018, Group revenues and profit before tax for the year ended 30 June 2019 would have increased by £0.6m and decreased by £0.4m, respectively.

26. Business combinations continued

Year ended 30 June 2018

On 22 January 2018 the Group entered into a definitive licence 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 in May 2018. Deferred consideration of $15.5m (£11.8m) was paid in September 2018 and was reflected as a liability of £11.8m at 30 June 2018.

The fair value identifiable assets recognised at the date of acquisition was as follows, with no subsequent change having been made since 30 June 2018:

		£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 licence 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).

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 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 Annual Report on Remuneration on pages 80 and 81.

	Directors' remuneration		Key management personnel (including Directors)	
	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits and fees	1.6	1.6	4.3	4.1
Post-employment benefits	0.1	0.1	0.2	0.2
Share-based payments	1.6	0.8	2.1	1.4
	3.3	2.5	6.6	5.7

Directors' transactions

During the year, the Group made purchases from companies related to Directors of less than £0.1m (2018: £0.4m) of which the balance outstanding at 30 June 2019 was less than £0.1m (2018: £0.1m). Total sales to companies related to the Directors were less than £0.1m (2018: less than £0.1m), of which less than £0.1m (2018: less than £0.1m) was outstanding as at 30 June 2019.

Company balance sheet
As at 30 June 2019

	Note	30 June 2019 £m	30 June 2018 £m
Non-current assets			
Goodwill	C4	**7.8**	7.8
Intangible assets	C5	**56.8**	53.5
Property, plant and equipment	C6	**26.8**	16.6
Investments	C7	**140.7**	136.0
Deferred tax asset	C8	**2.8**	2.4
Loan receivable	C9	**27.4**	51.3
		262.3	267.6
Current assets			
Inventories	C10	**24.3**	21.5
Trade and other receivables	C11	**44.2**	38.5
Loan receivable	C9	**26.9**	—
Current tax receivable		**5.4**	—
Derivative financial instruments		**0.2**	0.8
Cash and cash equivalents		**57.9**	67.2
		158.9	128.0
Total assets		**421.2**	395.6
Current liabilities			
Trade and other payables	C12	**(40.7)**	(44.7)
Current tax liabilities		**—**	(1.4)
Derivative financial instruments		**(2.0)**	(0.5)
Borrowings with Group companies		**(14.5)**	(7.0)
		(57.2)	(53.6)
Net current assets		**101.7**	74.4
Total assets less current liabilities		**364.0**	342.0
Non-current liabilities			
Deferred tax liabilities	C8	**(3.9)**	(0.4)
Derivative financial instruments		**(0.1)**	(0.1)
		(4.0)	(0.5)
Total liabilities		**(61.2)**	(54.1)
Net assets		**360.0**	341.5
Equity			
Share capital	C13	**0.4**	0.4
Share premium account		**27.0**	25.6
Merger reserve	C13	**68.1**	68.1
Own shares	C13	**(2.8)**	(3.2)
Hedging reserve	C13	**(1.3)**	0.1
Retained earnings		**268.6**	250.5
Total shareholders' funds		**360.0**	341.5

The Company reported a profit for the year ended 30 June 2019 of £37.5m (2018: £57.8m).

The financial statements of the Company (registered number 03509322) were approved by the Board on 6 September 2019 and signed on its behalf by:

Gavin Wood
Director

Company statement of changes in equity
For the year ended 30 June 2019

	Note	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 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	C15	—	—	—	—	—	(22.1)	(22.1)
Balance as at 30 June 2018		0.4	25.6	68.1	(3.2)	0.1	250.5	341.5
Profit for the year		—	—	—	—	—	37.5	37.5
Other comprehensive income		—	—	—	—	(1.4)	—	(1.4)
Total comprehensive income		—	—	—	—	(1.4)	37.5	36.1
Issue of ordinary shares		—	1.4	—	0.4	—	(0.4)	1.4
Share-based payments inclusive of deferred tax		—	—	—	—	—	6.1	6.1
Purchase of own shares		—	—	—	—	—	(0.2)	(0.2)
Equity dividends	C15	—	—	—	—	—	(24.9)	(24.9)
Balance as at 30 June 2019		0.4	27.0	68.1	(2.8)	(1.3)	268.6	360.0

Notes to the Company financial statements
For the year ended 30 June 2019

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 consolidated 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 and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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 consolidated 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 consolidated 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 note 27 to the consolidated financial statements and the Annual Report on Remuneration on pages 80 and 81 form part of these Company financial statements. Information on the main employee share-based payments is given in note 24 of the consolidated financial statements. Details of the key management personnel are given in note 27 of the consolidated financial statements.

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

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
Management, administrative, marketing and distribution	436	423
Laboratory	78	54
	514	477

Their aggregate remuneration comprised:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	26.6	22.5
Social security costs	3.7	3.4
Other pension costs	2.1	1.8
Charge in respect of share options and awards granted	4.4	2.5
Total staff costs	36.8	30.2
Capitalised staff costs	(1.5)	(1.9)
Net staff costs	35.3	28.3

C4. Goodwill

	30 June 2019 £m	30 June 2018 £m
Cost		
At beginning of year	7.8	7.7
Additions	—	0.1
At end of year	7.8	7.8
Accumulated impairment losses		
At beginning and end of year	—	—
Carrying amount	7.8	7.8

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 (2018: £0.4m) and a reduction of £1.6m (2018: £1.2m) 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 consolidated 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 2018	2.0	0.4	10.7	13.1	15.3	44.2	72.6
Additions	—	—	—	—	7.9	13.3	21.2
Disposals in year	(0.6)	—	—	(0.6)	—	(6.9)	(7.5)
At 30 June 2019	**1.4**	**0.4**	**10.7**	**12.5**	**23.2**	**50.6**	**86.3**
Accumulated amortisation							
At 1 July 2018	1.5	0.4	0.7	2.6	4.3	12.2	19.1
Charge for the year	0.2	—	1.0	1.2	2.1	1.8	5.1
Impairment	—	—	—	—	—	12.8	12.8
Disposals in year	(0.6)	—	—	(0.6)	—	(6.9)	(7.5)
At 30 June 2019	**1.1**	**0.4**	**1.7**	**3.2**	**6.4**	**19.9**	**29.5**
Carrying amount							
At 30 June 2018	0.5	—	10.0	10.5	11.0	32.0	53.5
At 30 June 2019	**0.3**	**—**	**9.0**	**9.3**	**16.8**	**30.7**	**56.8**
Included in carrying amount – Assets under construction							
30 June 2018	—	—	—	—	1.9	29.8	31.7
30 June 2019	**—**	**—**	**—**	**—**	**3.9**	**13.3**	**17.2**

Individually material intangible assets

The Group's new ERP system is considered to be an individually material intangible asset, of which £15.6m is included within software which is being amortised over a five year period with a remaining amortisation period of between two and five years. The remainder is the balance shown as assets under construction. Licence fees assets relate to the Company's acquisition of an exclusive licence agreement with Roche as described in note 26 to the consolidated financial statements.

Following achievement of the most recent implementation milestone of the ERP implementation project, a review was undertaken of historical expenditure incurred to date on outstanding modules included within software. It has been concluded that as a result of changes in the scope and nature of the programme, assets of £12.8m have been impaired as further described in note 7 to the consolidated financial statements.

C6. Property, plant and equipment

	Laboratory equipment £m	Office fixtures, fittings and other equipment £m	Leasehold improvements £m	Total £m
Cost				
At 1 July 2018	7.2	4.9	15.2	27.3
Additions	**3.8**	**3.2**	**4.9**	**11.9**
Disposals	**(0.4)**	**(3.3)**	**—**	**(3.7)**
At 30 June 2019	**10.6**	**4.8**	**20.1**	**35.5**
Accumulated depreciation				
At 1 July 2018	6.0	4.7	—	10.7
Charge for the year	**0.9**	**0.4**	**0.4**	**1.7**
Disposals	**(0.4)**	**(3.3)**	**—**	**(3.7)**
At 30 June 2019	**6.5**	**1.8**	**0.4**	**8.7**
Net book value				
30 June 2018	1.2	0.2	15.2	16.6
30 June 2019	**4.1**	**3.0**	**19.7**	**26.8**
Included in net book value – Assets under construction				
30 June 2018	—	—	15.2	15.2
30 June 2019	**—**	**—**	**—**	**—**

C7. Investments

Investments in subsidiary undertakings		Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
At beginning of year		**136.0**	137.2
Capital contribution	(i)	**1.9**	0.5
Purchase of shares in subsidiary undertakings	(ii)	**2.8**	—
Impairment		**—**	(1.7)
At end of year		**140.7**	136.0

(i) Represents amounts for share based awards issued by the Company to employees of its subsidiaries.
(ii) In January 2019, the Company acquired 2.8m new shares in Abcam US Group Holdings Inc, a subsidiary company, for consideration of $3.7m.

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	15F, No.2-1, Sec. 3, Minquan E. Road., Zhongshan District, Taipei City, Taiwan	Taiwan	Sales and distribution
Abcam (Netherlands) B.V.	Kingsfordweg 151, 1043GR Amsterdam	Netherlands	Sales and distribution
Abcam US Group Holdings Inc	Corporation Service Company, 251 Little Falls Drive, 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
AbShare Share Plan Limited	Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX	England	Employee services
Ascent Scientific Limited	Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX	England	Dormant

C7. Investments continued
Subsidiary undertakings continued
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, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	Holding company
AxioMx Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Epitomics Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Firefly BioWorks Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
MitoSciences Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	R&D and manufacturing
Epitomics Holdings, Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	USA	Holding company
Calico Biolabs Inc.	1181 Quarry Ln, Pleaston, CA 94566	USA	R&D and manufacturing
Abcam (US) Limited	Discovery Drive, Cambridge Biomedical Campus, Cambridge CB2 0AX	England	Holding company

The Group's holdings in subsidiaries are all through ordinary shares and are all 100% owned.

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
AbShare Share Plan Limited	06706259
Abcam (US) Limited	08151375

C8. Deferred tax

	Year ended 30 June 2019				Year ended 30 June 2018			
	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	(0.4)	2.4	—	2.0	(0.2)	1.7	0.1	1.6
(Charge)/credit to income statement	(3.5)	—	0.5	(3.0)	(0.2)	—	(0.1)	(0.3)
(Charge)/credit to equity	—	(0.1)	—	(0.1)	—	0.7	—	0.7
At end of year	(3.9)	2.3	0.5	(1.1)	(0.4)	2.4	—	2.0

C8. Deferred tax continued

Deferred tax balances are comprised as follows:

	30 June 2019 £m	30 June 2018 £m
Deferred tax assets to be recovered		
Within 12 months	2.0	0.7
After more than 12 months	0.8	1.7
	2.8	2.4
Deferred tax liabilities to be recovered		
Within 12 months	—	—
After more than 12 months	(3.9)	(0.4)
	(3.9)	(0.4)
Deferred tax assets (net)	(1.1)	2.0

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 2019 £m	30 June 2018 £m
Amounts owed by subsidiary undertakings		
Within 12 months	26.9	—
After more than 12 months	27.4	51.3
	54.3	51.3

Comprising:

	Borrower	Principal $m	Repayment date	Interest rate	30 June 2019 £m	30 June 2018 £m
Term loan 1	Abcam US Group Holdings Inc.	33.0	20 Dec 2019	7.34%	26.0	25.1
Term loan 2	Abcam US Group Holdings Inc.	34.0	20 Dec 2022	8.69%	26.8	25.8
Other loans	Various	Various	Various	Various	1.5	0.4
					54.3	51.3

Changes in the values of each loan include foreign exchange movements and settlements.

C10. Inventories

	30 June 2019 £m	30 June 2018 £m
Raw materials	1.0	0.3
Work in progress	0.3	0.2
Finished goods	23.0	21.0
	24.3	21.5

C11. Trade and other receivables

	30 June 2019 £m	30 June 2018 £m
Amounts receivable for the sale of goods and services	7.1	6.7
Amounts owed by subsidiary undertakings	28.1	21.5
Other receivables*	6.6	8.4
Prepayments	2.4	1.9
	44.2	38.5

* Other receivables includes £0.7m (2018: £5.2m) held in escrow to fund any further potential payments to contractors in respect of the Group's now completed 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 2019 £m	30 June 2018 £m
Trade payables	**6.0**	5.9
Amounts owed to subsidiary undertakings	**8.9**	6.9
Accruals and future contract liabilities	**24.5**	19.1
Other taxes and social security	**1.0**	1.0
Other payables*	**0.3**	11.8
	40.7	44.7

* 2018. Comprised $11.8m of deferred consideration payable to Roche in respect of the acquisition of Spring 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 2019 £m	30 June 2018 £m
Total undiscounted future committed payments falling due:		
Within one year	**4.7**	5.3
Between one and five years	**16.3**	17.6
After five years	**48.2**	52.0
	69.2	74.9

The above committed payments represent rentals payable by the Company for its properties with renewal terms of 19 years.

Future capital expenditure

	30 June 2019 £m	30 June 2018 £m
Contracted for but not provided	**—**	5.8

C15. Dividends
Details of amounts recognised as distributions to shareholders in the year and those proposed are set out in note 22 to the consolidated financial statements.

C16. Related party transactions
Directors' transactions
The remuneration of the Directors is set out in the Annual Report on Remuneration on pages 80 and 81. Related party transactions relating to Directors of the Company are shown in note 27 to the consolidated financial statements.

Investor information
Five year record – unaudited

	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m	2014/15 £m
Income statement – Adjusted performance measures					
Revenue	**259.9**	233.2	217.1	171.7	144.0
Percentage change	**11.4%**	7.4%	26.4%	19.2%	12.5%
Adjusted EBITDA	**92.4**	88.3	73.3	60.0	54.1
Depreciation and amortisation	**(8.8)**	(7.0)	(8.9)	(6.4)	(4.9)
Adjusted operating profit	**83.6**	81.3	64.4	53.6	49.2
Adjusted profit before tax	**83.9**	81.6	64.6	53.8	49.6
Taxation	**(16.5)**	(14.9)	(12.6)	(8.6)	(9.8)
Adjusted profit after tax	**67.4**	66.7	52.0	45.2	39.8
Adjusted earnings per share					
Basic	**32.9p**	32.7p	25.7p	22.5p	19.9p
Diluted	**32.6p**	32.4p	25.5p	22.4p	19.8p
Free Cash Flow	**34.3**	26.8	41.3	31.7	32.7
Return on capital employed* (ROCE)	**20.8%**	22.2%	19.6%	18.1%	21.5%

* 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Further information
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.

Amino acids
The basic building blocks of proteins and peptides.

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.

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.

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.

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.

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.

Immunoassay
A test that uses the binding of antibodies to antigens to detect and quantify a biological molecule in a sample.

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

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.

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.

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.

Peptides
Short chains of amino acids.

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.

RUO
Research Use Only

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.

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.

Further information continued
Corporate directory

Registered office
Discovery Drive
Cambridge Biomedical Campus
Cambridge CB2 0AX
UK

Websites
www.abcam.com
www.abcamplc.com

Registered number
3509322

Interim Company Secretary
Marc Perkins

Nominated advisor and joint broker
J.P. Morgan Cazenove
25 Bank Street
London E14 5JP
UK

Joint broker
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT
UK

Independent auditor
PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St John's Innovation Park
Cowley Rd
Cambridge CB4 0DS
UK

Public relations advisor
FTI
200 Aldersgate
London EC1A 4HD
UK

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
UK

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.

Investor relations
Discovery Drive
Cambridge Biomedical Campus
Cambridge CB2 0AX
UK

Email: corporate@abcam.com
Phone: +44 (0)1223 696000
Website: www.abcamplc.com

Financial calendar

Financial year end	30 June 2019
Full year results announced	9 September 2019
Ex-dividend date for final dividend	7 November 2019
Record date for final dividend	8 November 2019
Annual General Meeting	13 November 2019
Final dividend payment	29 November 2019

The Abcam Group's commitment to environmental issues is reflected in the production of this Annual Report.

The paper used in this report is elemental chlorine free and is FSC® accredited. It is printed to ISO 14001 environmental procedures, using vegetable based inks.

The Forest Stewardship Council® (FSC®) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers to readily identify timber based products from certified sources.

Designed by Gather
+44 (0)20 7610 6140
www.gather.london