

abcam

**Annual
Report and
Accounts
2020**

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Abcam PLC Report & Accounts 2020



For further information on Abcam's Sustainability, including our 2020 Impact Report, visit www.abcamplc.com/sustainability.



You can find more information about Abcam online www.abcamplc.com

Welcome to Abcam

About Us

We are a global life science company focused on identifying, developing and distributing high-quality reagents and tools for our customers at the forefront of life science research.

Our products are used by researchers to study biological pathways, which is critical for scientific research, diagnostics and drug discovery. Our mission is to provide life science researchers with highly validated products and services to advance biological research and achieve their goals faster.

We do this by continuously innovating and providing our customers with high-quality tools, together with expert customer support.

Our product offering includes an extensive portfolio of antibodies and related protein research tools that are fundamental to our customers' research and experimental workflow. Our customers are primarily scientists and researchers in academic institutions, research institutes and pharmaceutical, biotechnology and diagnostics companies.

Headquartered in Cambridge, United Kingdom, we operate across 15 locations around the world, supported by our world-class team of approximately 1,500 employees, including over 200 with PhDs, we serve customers in over 130 countries.

Our Vision

Our vision is to become the most influential life sciences company for researchers worldwide to support research, diagnostic and therapeutic applications.

Our Purpose

Our purpose is to efficiently enable scientific breakthroughs by serving life scientists to help them achieve their mission, faster.

Our impact

As a dynamic life science company, we want to take part in building the future and making life better for people all over the world. Our products and innovation are key. They are helping researchers around the world to make new breakthroughs and discoveries that are leading to better diagnosis and treatment.

Together with this focus on impactful product innovation, we concentrate our sustainability efforts in the most important areas – providing a rewarding workplace for our teams, building long-term partnerships based on trust, engaging in the communities we work in and minimising our environmental footprint.

Over half of all life science papers published in 2019 cited an Abcam product (CiteAb)

50%+

#1 cited company for research antibodies (CiteAb, 2019)

No.1

Over 2,000 custom projects delivered for partners

2,000+

Over 450 antibodies validated for use on third-party platforms or for diagnostic use

450+

More than 20 products FDA approved, or in trials for a clinical or diagnostic application

20+

Operational and Financial Performance

Business highlights

- Responded to COVID-19 to protect the health and wellbeing of our employees and support our customers
- Invested in all strategic areas of our five-year growth plan
- Innovated and published over 2,000 new in-house recombinant antibody products, ahead of target, and launched in-house protein and engineered cell lines ranges
- Expanded our team and capabilities to serve biopharma and industry partners; executed over 50 partnership agreements in this area, including with Cancer Research UK
- Acquired, integrated and invested behind four acquisitions that have brought new products, technologies and capabilities into the business, including the proteomics and immunology businesses of Expedeon
- Continued to strengthen senior team, including the appointment of Michael Baldock as CFO and Juan Carlos Sacristan as SVP of Data and Technology
- Undertook sustainability review and established a working framework aligned with the UN Sustainable Development Goals

Strategic performance indicators

Customer transactional Net promoter score (tNPS)

+56

% growth of in-house catalogue product revenue (CER*)

+6.2%

* CER is calculated by applying the prior year's actual exchange rates to the current year's results.



Our Strategy pages 22 to 26.

Financial performance

Total revenue

£260.0m

| | |
|---------|---------|
| 2019/20 | £260.0m |
| 2018/19 | £259.9m |
| 2017/18 | £233.2m |

Gross Margin

69.3%

| | |
|---------|-------|
| 2019/20 | 69.3% |
| 2018/19 | 70.5% |
| 2017/18 | 69.9% |

Adjusted operating profit

£44.5m

| | |
|---------|--------|
| 2019/20 | £44.5m |
| 2018/19 | £83.6m |
| 2017/18 | £81.3m |

Reported operating profit

£10.5m

| | |
|---------|--------|
| 2019/20 | £10.5m |
| 2018/19 | £56.1m |
| 2017/18 | £68.8m |

Adjusted diluted earnings per share

16.6p

| | |
|---------|-------|
| 2019/20 | 16.6p |
| 2018/19 | 32.6p |
| 2017/18 | 32.4p |

Reported diluted earnings per share

6.0p

| | |
|---------|-------|
| 2019/20 | 6.0p |
| 2018/19 | 21.8p |
| 2017/18 | 30.2p |

Return on capital employed (ROCE)

6.8%

| | |
|---------|-------|
| 2019/20 | 6.8% |
| 2018/19 | 20.8% |
| 2017/18 | 22.2% |

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



Our Performance pages 40 to 51.

Sustainability Performance Measures

Products

Customer tNPS¹

+56

| | |
|----------------|-----------|
| 2019/20 | 56 |
| 2018/19 | 59 |
| 2017/18 | 65 |

In-house product revenue as % of total catalogue

47.1%

| | |
|----------------|--------------|
| 2019/20 | 47.1% |
| 2018/19 | 43.8% |
| 2017/18 | 42.4% |

Product satisfaction rate (12-month rolling)

98.68%

| | |
|----------------|---------------|
| 2019/20 | 98.68% |
| 2018/19 | 98.41% |
| 2017/18 | 98.24% |

¹ 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.

People

Lost days due to Health & Safety

2

| | |
|----------------|----------|
| 2019/20 | 2 |
| 2018/19 | 5 |
| 2017/18 | 3 |

Partners

Number of antibodies validated for use on third-party platforms or in diagnostics ('Abcam Inside')

459

| | |
|----------------|------------|
| 2019/20 | 459 |
| 2018/19 | 137 |

OEM suppliers signed up to Abcam's Code of Conduct

98.3%

| | |
|----------------|--------------|
| 2019/20 | 98.3% |
| 2018/19 | 60.2% |



Our Impact pages 27 to 37.

Planet

Carbon emissions (Scope 1 & 2, Global)

4,752 tCO₂e

| | |
|----------------|--------------|
| 2019/20 | 4,752 |
|----------------|--------------|

Waste to landfill

77.5 tonnes

| | |
|----------------|-------------|
| 2019/20 | 77.5 |
|----------------|-------------|



Our Impact pages 27 to 37.

Abcam's purpose is to serve life scientists to achieve their mission, faster. As individuals, companies and governments around the world continue to respond to the impact of the COVID-19 pandemic, the importance of that purpose, and our contribution to society, has never been clearer. Never before has the general public understood so well the need for fast and efficient scientific discoveries and medical breakthroughs.



For further information visit www.abcamplc.com

Dear shareholder,

Responding to COVID-19

The world has changed, and as it has, Abcam has met each new challenge with agility and dedication. I am not only pleased that Abcam has continued to deliver on its strategy and meet its stated mission to serve life scientists over the last year, but I am also proud of the way the company has behaved during these unprecedented times. Under the stewardship of Alan and the senior leadership team, our people have adapted quickly to a new way of working and continued to put our customers first. No one has been furloughed and we have continued to invest behind our growth strategy.

Strong foundations

Our ability to respond in this way, and to take a long-term view of our business and strategy, is underpinned by our business model and financial strength.

Last year, the Board approved an ambitious strategic plan to sustain long-term top-line growth of the business, whilst driving attractive margin and returns. Undoubtedly, COVID-19 has brought in a level of uncertainty with respect to the near-term outlook, however the Group's plans remain unchanged, reflecting our confidence in the long-term opportunity.

Certainly, the Board is confident that over time, the organic and inorganic investments made during the year will increase the Group's capacity for innovation and product development, support the creation of a more efficient global supply chain and improve its digital platform and customer experience, all of which are central to sustaining growth.

Investors

Capital allocation and dividend policy

Following the interim results in March, at which time the Board approved an interim dividend payment of 3.55 pence per share, the Group consulted with its major shareholders in respect of its future capital allocation priorities and dividend policy.

As stated at that time, the Board sees significant potential for further profitable growth and attractive returns on investment and believes that the best way to maximise value creation over the long term is to increase the Group's flexibility to invest in growth opportunities as they arise.

This view was shared by a significant majority of the Group's shareholders that were consulted and accordingly, the Board has decided not to declare a final dividend in order to prioritise investment in growth. Going forward, the Board will continue to review the Group's dividend policy, with future distributions reflecting the cash generation and capital needs of the Company.

Share issue

In April 2020, the Board approved the issue of 10 million new shares to Durable Capital, raising £110m. The share issue further strengthened our liquidity position, providing greater flexibility to invest in the long-term growth of our business to support our customers and capture additional market share through organic and inorganic initiatives.

Nasdaq listing

To support the Group's plans, in July 2020, the Board announced its intention to explore a secondary listing in the US. Further to subsequent discussions and analysis, the Board has concluded that now is the right time to pursue a secondary listing on NASDAQ, supplementing the Group's existing listing on AIM, and is working towards a listing in the final calendar quarter of 2020.

The US represents by far the largest market for Abcam, contributing approximately 40% of revenue, and will continue to increase in importance for the Group in the future. Many of Abcam's closest peers are listed in the US and a secondary listing will provide the Company with direct access to a significant incremental pool of capital, further supporting the Group's long-term growth strategy and liquidity. Further, a US listing will provide the Company with greater flexibility with respect to future investments. With approximately 40% of our shares already held by US investors, this is a timely move and one the Board has had under review for a considerable time.

Board composition

We have seen a number of changes to our Board during the year. First, Sue Harris stepped down from the Board after the AGM in November 2019. In July 2019, Gavin Wood, Group CFO, notified the Board of his intention to step down when a successor had been identified. Following an extensive search process, the Board announced the appointment of Michael Baldock on 14 January 2020. Michael, who has over 30 years of relevant business and leadership experience, joined Abcam on 3 February 2020. The Board would like to take this opportunity to thank Sue and Gavin for their significant contributions to Abcam during their times with the Company.

In June 2020, Jonathan Milner, co-founder and non-executive deputy Chairman, announced that he would not be standing for re-election at the Group's next Annual General Meeting, to allow him to focus on his growing portfolio of early stage company investments. It was Jonathan's vision and ambition that created Abcam in 1998 and on behalf of the Board and everyone at Abcam, I would like to convey our deepest gratitude to Jonathan for his commitment and leadership over the years.

The importance of sustainability

A resilient business is also a sustainable business, one that is part of a successful value chain that is able to adapt to meet changing external demands and creates value for all stakeholders. In this sense, Abcam has always acted in a sustainable and responsible way.

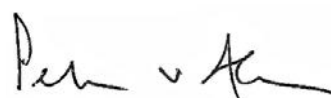
The onset of COVID-19, and our team's response to it, made it particularly timely for us to undertake a review to better understand the views of our major stakeholders and the impact we have on those stakeholders, the environment and society as a whole. Following this review, we have developed a framework to focus our efforts where they will have most impact. The framework builds on our strong social purpose serving scientists, which has long been central to our business. You can read more in the CEO review and on pages 27 to 38.

Looking ahead

Confidence in our outlook is reflected in our commitment to our long-term investment plans. As discussed above, despite the fact that trading conditions are likely to remain uncertain in 2021, the Board remains confident in the outlook and in the strategy for the Group.

Recognition and thanks

Finally, on behalf of the Board, I would like to thank our many stakeholders and in particular our 1,500 hardworking employees of Abcam for their continued support and commitment.



Peter Allen
Chairman

12 September 2020

Our response to COVID-19

Since COVID-19 began impacting our business in January, we have responded with agility to ensure our stakeholders are supported and the resilience of the business is maintained.

Organising our response

We responded quickly to establish teams to support our priorities during the pandemic ranging from employee safety and customer support, global operations and supply chain through to internal functions including Finance and IT. Our actions were overseen by a global steering committee.

We have developed and implemented plans for how our customers and our company emerge from the current conditions based on a number of scenarios to ensure we can respond quickly for our customers and are able to focus on our strategic priorities.

Protecting our people

The health and wellbeing of our people is our primary focus. Our approach was to establish a set of global principles around which local leaders could create a bespoke plan for each region and office, independently. Each had oversight of its own policy response to ensure it could do what was right and safe for our people and aligned with local government policy.

Our management team acted swiftly to provide consistent communication to our teams around the world, via a COVID-19 resource hub, daily emails, and regular video conferences, ensuring open lines of communication to leaders. With a focus on removing anxiety, providing clarity on global and local legislation, and supporting physical and mental wellbeing, our teams made sure that every person was kept updated with relevant information and had regular contact with their managers and teams.

Building on our flexible working policy and technology infrastructure, we used a range of internal and external resources, toolkits and guides to assist remote working, whilst adopting a person-led plan for those who needed additional support. More recently, we initiated a phased return of our teams to Abcam workplaces, in line with government advice and our own health and safety policies and procedures, ensuring safe working environments are in place.

All colleagues have been supported with full employment during the COVID-19 outbreak, with no employees furloughed. We also made changes to our employment policies, notably our leave policy, to ensure that staff didn't lose holiday time and that our business could manage the resourcing demands placed upon it.

Supporting our customers and the fight against COVID-19

Our customers have also been impacted by the COVID-19 pandemic: with laboratories temporarily shut down and activity reduced. As lockdown restrictions have gradually been eased, and research laboratories around the world have begun to reopen, we have seen a recovery in activity.

We continued to support customers globally, some of whom are directly engaged in the effort to develop diagnostic tests, vaccines and treatments for COVID-19, throughout this period. We maintained minimum onsite operational teams to allow us to continue to fulfil customer orders, and we maintained our customer and scientific support levels at full capacity. We also

increased our levels of online support and we hosted several planned physical conferences online.

More specifically, we prioritised actions to support the critical work of customers involved in COVID-19 work, including:

- Quickly offering a range of high-quality COVID-19 related research tools, and reassigning R&D resources to developing critical products SARS-Cov-2 related;
- Boosting our supply chain and manufacturing flexibility to support increased demand for existing products used for SARS-CoV-2/COVID-19 research; and
- Entered discussions regarding over 30 collaborations across the UK, US, and China focused on SARS-CoV-2 diagnostic, drug and vaccine development.

Whilst some of our manufacturing operations were temporarily closed during the second half of the year, this did not have a material negative impact on our ability to serve customers. Our production and manufacturing facilities are located around the world, so while certain facilities were shut down or operating at reduced capacity for certain periods, our other locations were able to continue operating as normal.

Working with our partners

We source products from hundreds of antibody and related reagent suppliers to serve our customers' needs as well as sourcing raw materials for our in-house product manufacturing. Our global supply chain and manufacturing team responded rapidly to the onset of the crisis, ensuring any customer impact would be minimised. Global inventory levels were regularly reviewed and suppliers were contacted in order to understand potential disruption and mitigation plans. This work ensured that we experience no material shortage issues and no impact on our own production.

Financial and operational resilience

The pandemic reduced demand during the second half of the year as research laboratories globally were temporarily shut down or operating at reduced capacity, resulting in a decline in revenue in the second half of the fiscal year of approximately 10% compared with the same period in the prior year. See Our Performance section (pages 40 to 45) for a detailed discussion of our financial performance in the year, including the impact of COVID-19.

Although we have seen a reduction in demand due to the ongoing COVID-19 pandemic, we have not observed any significant changes in our underlying customer base, and we have been serving and will continue to serve our customers even at a reduced level until their activities return to normal.

We have not participated in any of the COVID-19 related government assistance schemes that have been implemented around the world. Cash flow remained positive in the second half, and we have continued to invest in our strategic growth plans to the extent possible to reduce impact on future growth. After refinancing the Expedeon Acquisition through an equity placing in April 2020, we ended the year with a gross cash position of £187.3m and access to further liquidity through our revolving credit facility, which has undrawn capacity of £93m.

Dear shareholder,

Strength from purpose

Despite everything happening in the world, we finished 2020 as we started it: energised by our mission; keenly aware of our influence and relevance to research and society; and hopeful about the sustainable future we are creating for all Abcam stakeholders. I have confidence in our potential and in the actions we are taking to build our business. I am also proud of how our team has responded to the extreme circumstances of the last nine months, supporting our customers and each other.

Whilst we have prioritised putting measures in place to safeguard the health and wellbeing of our team, the COVID-19 pandemic has reminded our team of Abcam's vital importance to research customers. Though many laboratories were closed over the period, there were researchers working to understand the virus and develop approaches to control the outbreak. Throughout the entire pandemic, in every region, we introduced new products to help researchers, we shipped products without interruption, and we forged collaborations to help fight this disease.

Our ambition is evident in the growth strategy that we set out during the year. Our experience this year has also shone a light on our culture and how it strengthens our team and resolve to achieve our ambitions. We continued to invest and initiate growth projects even in the most severe lock-down periods. Our team responded with agility and dedication. Together, they maintained the disciplines and focus that generate customer delight in the most demanding circumstances.

Overall, I am gratified by how Abcam performed during the year and proud of our team. We took care of our customers and our employees, and at the same time focused on driving our long-term growth potential when it would have been too easy to fall short of requirements on any one of those.

Our performance: A year of two halves for demand with sustained investment in our growth aspirations

Group revenue for the year was £260.0m (2018/19: £259.9m). As expected, regional performance varied and was affected by the severity and timing of the global COVID-19 pandemic. Revenue trends correlated strongly to policy actions taken by governments and organisations around the world in response to the spread of the virus, and the resulting partial or full shutdowns, and subsequent reopening, of academic and biopharmaceutical research laboratories.

Our financial results reflect two dramatically different demand environments for the year. In the first half of the year, catalogue revenue growth of 9.1% (CER) was once again approximately double the underlying market rate, reflecting the sustained market share gains that have long supported Abcam's growth. Our proprietary in-house products again were an essential element of this outcome. In-house products grew by more than 13% (CER) and customers tell us that this broad range has excellent quality and performance.

During the second half of the year, there was significant disruption across our markets as most laboratories shut down for a few months during the global COVID-19 pandemic. Despite this reduced activity, demand for our own products held up well on a relative basis, with total growth for the year across our in-house catalogue products of 6.2% (CER), compared with a decline of 6.9% for third-party products.

Total revenue from Custom Products & Licensing (CP&L), which comprises royalty and licence income as well as revenue from the supply of in-house products for in vitro diagnostic (IVD) use and the custom service business, declined 1.2% to £16.9m, accounting for 6.5% of revenue. Royalty income and the custom service business lines grew at double digit rates over the year, rising 18.5% and 12.7% respectively. We are pleased to see the downstream benefits from the last few years driving royalty growth. Customer purchasing delays of IVD products experienced in the first half of the year continued into the second half, resulting in a decline in IVD revenue for the year.

Importantly, during the year we initiated a growth plan and programme of investments across the business focused on sustaining long-term top-line growth whilst driving attractive margin and returns. Undoubtedly, COVID-19 has brought in a level of uncertainty with respect to our outlook, however our investment plans remain unchanged and we retain our ambition to reach sales of £450–500m, adjusted operating margins of above 30% and Return on Capital Employed of over 18% by 2023/24. We made good progress toward our plans in the year, investing across several areas including products and innovation, technology, people and enterprise that will enable us to increase our rate of innovation and sustain our growth. We also committed approximately £120m to tuck-in product and capability acquisitions. Those acquisitions, together with new partnerships and the investments we are making in the business are providing additional avenues to grow, new markets we can access, and the capability to scale more efficiently.

The investments we are making, together with the impact of COVID-19, resulted in an adjusted operating profit for the year of £44.5m (2018/19: £83.6m), whilst reported operating profit decreased to £10.5m (2018/19: £56.1m) including a non-cash impairment charge of £14.9m in respect of certain technologies relating to the acquisition of Axiomx. We continue to be highly cash generative, with net cash inflow from operating activities of £63.0m (2018/19: £70.2m) and ending the year with £187.3m in gross cash.

Progress toward our strategic goals

We aim to deliver consistent, durable growth and performance in a responsible way. Despite the disruption of COVID-19, the fundamentals of our business remain strong and the medium- and long-term prospects of our markets attractive. As a result, we continue to invest across the business to allow us to capitalise on our platform and competitive strengths and seize more of the market opportunities for growth and expect the operational leverage to unwind as the value of our investments are realised post-COVID-19.

We will continue to strengthen our position as the partner of choice for our customers and partners, sustaining our growth. Our strategy is guided by the following three goals:

1. Sustain and extend our antibody and digital leadership
2. Drive continued expansion into complementary market adjacencies
3. Build organisational scalability and sustain value creation

I summarise our progress for each of them, below:

Sustaining and extending leadership

Our growth strategy starts with our commitment to extend our leadership in research use antibodies. We pursue this outcome by listening to our customers' needs, continuously innovating and improving, and providing the tools, data and experience they desire. Our customers' success depends on rigorous product performance and reliability, and it's these factors that influence our innovation. During the year, we developed and introduced more than two thousand new recombinant antibody products. Products included recombinant RabMAb antibodies, antibody pairs, SimpleStep ELISA kits and new formulations that enable faster labelling and assay development.

In addition to product innovation, we also further improved product quality. Our award-winning CRISPR gene knockout validation programme grew by approximately 20%, and we validated hundreds of antibodies in new applications to extend their utility for customers. Our acquisitions of Edigene's cell line portfolio and Applied Stem Cell's gene-editing platform significantly increased our access to disease relevant cell lines and brought gene-editing capability in-house. These additional capabilities have started us on the way to higher throughput antibody selection and stronger validation.

Product satisfaction rates rose to an all-time high over the last 12 months, whilst our antibody citation share rose more than two percentage points, to 23%. Our efforts to incorporate Abcam antibodies in ELISA kits also showed customer progress as citation share with those products rose four percentage points, to 18%. Finally, in the 2019 Biocompare Antibody Market Awards, Abcam was rated by scientists as their preferred supplier in 10 out of 11 categories, including best antibody specificity, most preferred antibody supplier and best website antibody experience.

These product innovations combined with Abcam's longstanding success in online marketing is a competitive advantage. Our website, search engine optimisation and data have helped us prioritise innovation and establish new customer relationships. We have continued to improve our current e-commerce platform during the year, adding functionality and improving the ease of use, whilst at the same time we have progressed plans to upgrade our digital platform to enable us to make step changes to the customer experience.

Expanding to adjacent markets

The second element of our growth strategy is to successfully expand our offering to provide our customers with additional solutions and further grow within our addressable markets. Our focus is on broadening our proprietary product offering into complementary life science reagents; extending the application of our products onto third-party instruments; and offering our technologies and capabilities to be a leading antibody discovery partner for biopharmaceutical and diagnostic organisations. We achieved progress toward each of these objectives during the year.

We acquired and integrated the proteomics and immunology businesses of Expedeon, which, when combined with our own antibody and protein strengths, has positioned us well to serve the growing need for antibody conjugation and multiplexing solutions. We built a proprietary proteins capability and published a range of high-quality, bioactive proteins on the catalogue and, through organic and inorganic investment we established an engineered cell lines capability. We also continued to develop and grow demand for our Fireplex products and solutions. Overall, these efforts meant that despite customer disruption due to COVID-19, we delivered ahead of our commercial plan across these new product lines for the year.

At the same time, we have continued to develop our 'Abcam Inside' strategy – that is, driving the adoption of our products for use on third party instrumentation platforms, or by partners for their use in the development of clinical products. This included a significant expansion of our commercial team, to enhance our service levels for major biopharmaceutical organisations.

Demand for our products in these areas is strong. We established four new platform partnerships during the year whilst expanding existing co-development programmes with current partners. We also grew our speciality antibody portfolio – signing over 50 new agreements with organisations that have the potential to lead to new diagnostic or therapeutic tools in years to come. Our recently announced partnership with Cancer Research UK illustrates the scale and breadth of influence that is possible. In all, over 450 of our antibodies are now validated for commercial use on third-party platforms or as diagnostic tools, with hundreds more currently undergoing evaluation by our partners.

Building organisational scalability

The third element of our strategy is to build scalability into our operational infrastructure to allow us to deliver on our growth plans, increase efficiency and sustain value creation. This activity spans several areas across the business including our talent and team capability, our manufacturing and logistics footprint, and our IT backbone and digital capabilities.

During the year we deployed new manufacturing and screening processes to increase throughput and reduce development cycle time. Overall, over the last 36 months we have halved the time it takes us to get new products into the hands of scientists. We initiated an antibody lyophilization manufacturing project to

support increased customer demand whilst reducing costs and improving delivery speed, and we have identified and started addressing key bottleneck constraints across our global logistics, operations, and product workflows.

Juan Carlos Sacristan joined us as SVP, Data and Digital in March and since joining has overseen the detailed design for the final stages of our ERP implementation and the plans for innovation in our customer-facing systems.

We are expanding our global footprint with the construction of a new 100,000 sq. ft site in Waltham, Massachusetts, which will provide a more scalable, collaborative environment and an enlarged manufacturing facility. We have also begun implementation of additional site upgrades and expansions across our operations in California, Oregon and China.

Finally, alongside our organic investments, we made several acquisitions during the year that brought complementary products and technologies into the business. Integration of these businesses has gone as planned and we are already seeing benefits to Abcam from their teams, capabilities, and product offering. We will continue to selectively pursue strategic acquisitions that complement and scale our business, strengthen our competitiveness, and support our expansion into adjacent markets.

Our people

Our success arises from our dedicated team of approximately 1,500 colleagues around the world. Our purpose and culture inspire and motivate us all. These two factors remain an important differentiator for our success and help us to attract and retain the best people, which is essential to our future as we continue to grow. We have supported our employees with full employment throughout the COVID-19 pandemic and I'm particularly proud that we were recognised by Work180 as an employer of choice for Women and ranked #6 in Glassdoor's 2019 'Best Places to Work' Employers Choice in the UK, with a 98% approval rating. This external recognition is consistent with our internal engagement survey data and is more noteworthy given that we welcomed over 500 new colleagues during the year, including over 80 from Expedeon, Applied StemCell and Marker Gene Technologies, collectively.

We invest in our team through numerous development programmes that build the skills needed to set them up for success. In 2020, we once again achieved record levels of training and development for our colleagues, including a significant expansion of our 'Performance with Purpose' coaching programme. Our leadership training programmes were extended to almost one-third of our total workforce and we continued our active involvement in the UK apprentice scheme.

We've also continued to create a more inclusive environment, which is vital to realise the full potential of diversity in our workforce. We launched new Employee Resource Groups, enhanced our family leave policy and have tied senior management compensation to achieving gender equality.

We also recognise our role in supporting the next generation of scientists. As well as our active UK Apprenticeship Programme, our colleagues volunteer their time and expertise to inspire students at an early age, showing them rewarding opportunities in science, technology, engineering and maths (STEM).

Our impact – sustaining social and financial value creation

Our sustainability and growth objectives are intrinsically linked. Our impact flows from our vision and purpose, which ultimately lead to a positive impact on the world: helping the scientific community accelerate breakthroughs in human healthcare. The more successful we can be as a business, therefore, the greater the difference we can make in the world. That extends too, to doing business the right way. Our vision to be the most influential life sciences company comes with a commitment to the highest ethical standards, not just in our own conduct, but across our value chain.

Our stakeholders – customers, employees, partners, shareholders, communities and wider society – want to be associated with a company that delivers outstanding performance, responsibly. As we work to fulfil our purpose, we recognise our obligation to global sustainability. This applies to the way we manage our operations and how we source, manufacture and distribute our products.

This year we have reviewed the impact of our business operations and set out objectives, metrics and targets aligned to those areas we feel are most important to sustaining value creation for our stakeholders across four areas: Products; People; Partners and Planet.

Looking ahead with confidence

I thank our team, our customers and our partners who worked so hard to make this a positive year for the Group despite the challenges presented by COVID-19. Working with them to serve scientists and build a sustainable company is a rare privilege. Thank you.

As I look ahead, I remain confident in our strategy and potential. We are building our business to increase its positive impact on the world and generate long-term value for all our stakeholders. With energy and anticipation for the year ahead, we look forward to serving life scientists around the world to achieve their mission, faster.



Alan Hirzel
Chief Executive Officer
12 September 2020

Long-term industry forces across our markets remain attractive

As a global supplier of critical life science research reagents and tools, we help life scientists to advance scientific discovery through their research. The life science industry is experiencing an increase in research funding and capital investment supporting the growth of collaborative and global discovery networks.

We estimate that our capabilities serve a total addressable market of approximately \$8 billion, which we estimate is comprised of a total addressable market of the research antibody and reagents industry of approximately \$3 billion and a total addressable market for the generation of third-party antibodies for diagnostic and therapeutic companies' applications of approximately \$5 billion. More information on the breakdown of our markets can be found on our website at www.abcampic.com.

Notwithstanding the impact of COVID-19, we expect the convergence of a number of industry trends to support a continuation of the long-term market growth trends experienced across both research use only (RUO) and clinical markets, resulting in an increased demand for our products and services, including:

1. Favourable demographic and epidemiologic trends

Global demand for healthcare is increasing, driven primarily by rising and ageing populations, an increased prevalence of chronic diseases and a focus on improving access to healthcare.

Deloitte forecast that healthcare spending is expected to rise at a CAGR of 5% over 2019-23, up from 2.7% in 2014 to 2018, whilst The Centers for Medicare and Medicaid Services estimate that in the United States, the total healthcare expenditure will increase from representing approximately 17.7% of gross domestic product in 2018 to approximately 19.4% in 2027.

In addition to the demographic trends driving the global demand for healthcare, and in turn the demand for biomedical research, there has been a steady rise in the population of the scientific community that forms a large part of our customer base. In the United Kingdom, for example, from 2014 to 2018, there was a 3% increase in the number of individuals who obtained higher education qualifications in Biological Sciences and a 9% increase in postgraduate degrees awarded during this same period.

Estimated annual growth in global healthcare spending 2019-2023

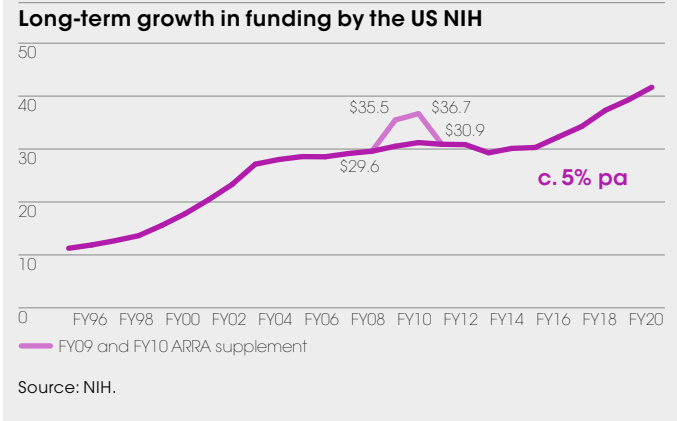
5%

Source: Deloitte, 2020 global health care outlook.

2. Supportive funding environment 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 variety of sources, including governments, industry participants 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. This trend has also resulted in an increase in funding for industry-academia collaborations. Recent examples include the National Institutes of Health's (NIH) BRAIN initiative and the National Cancer Institute's Cancer Moonshot programme. The increase in government funding for life science research is particularly relevant for us, as a large percentage of our revenue is derived from customers conducting academic studies or from research institutes.



3. Focus on increased research reproducibility and reagent quality to reduce wasted time and resources

Beyond their use in therapeutics, antibodies play a vital role in biomedical research across the life science industry.

The quality of research reagents is intrinsically linked to the reproducibility of data. High-quality research antibodies, providing high specificity, sensitivity and consistency are critical to increasing confidence in research outcomes and reducing the gratuitous expenditure of both time and funding resources.

With an estimated \$17 billion lost in avoidable experiment expenditure annually, against a backdrop of increased outsourcing of research and development in order to optimise efficiency and reduce lead times, the ability for researchers to source high-quality and validated reagents is increasingly important.



4. Growing significance of genomics and proteomics

The pace of technological innovation has significantly reduced the cost of gene sequencing in recent years, rapidly expanding its use and consequently resulting in a commensurate increase in the identification of possible genetic targets and biomarkers for disease diagnosis and treatment.

This has led to a proliferation in proteomic research in areas spanning stem cell research, gene editing, epigenetics, neuroscience and oncology. In addition, the market is further benefiting from the increase in the use of instrumentation, which facilitates automation and an increase in the use of technologies such as multiplexing allowing for a comprehensive, quick analysis of proteins.

This increases both the efficiency and speed of output of biological research and thus the volume of available data, which in turn drives advances in process design and development in an ongoing cycle. We believe all areas of proteomics research are benefiting from these trends.

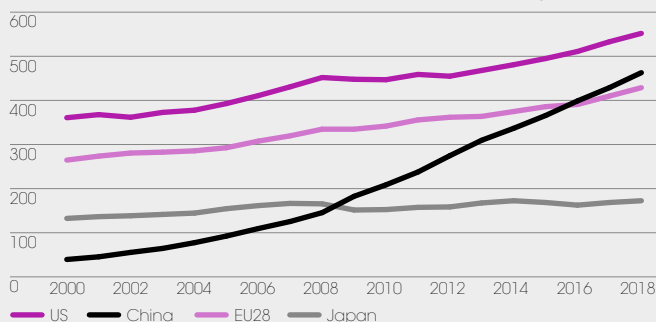
5. China expansion

The Chinese market represents a large and attractive growth opportunity. Increasing health needs, driven by an expanding and ageing population, has resulted in a heightened focus on healthcare and innovation.

China now ranks second in the world for citations for the number of scientific papers produced, behind the United States, based on industry data as of November 2019. 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 initiative through funding, reform and societal status. In 2018, China spent approximately \$293bn on research and development, which was 2.1% of the country's GDP and an 11.6% increase compared to 2017. We expect to see continued growth in research and development spending in China.

In March 2019, the government announced the intention to increase research efforts and enhance innovative capabilities as well as encouraging enterprise-led industry-academia research collaborations. In 2019/20, sales in China contributed to 16% of our catalogue sales, and we believe the Chinese market has the potential to grow to become the same size as the US market for our business over the next 15 years.

Government Research & Development Spending, \$bn



Source: OECD (2020), Gross domestic spending on R&D.

Potential longer-term implications of COVID-19 on life science research

It will be some time before the full impact of the COVID-19 pandemic is known or realised, however the initial economic shock to many global economies has been unprecedented. The economic impact of COVID-19 on the life industry has been similarly significant, but it has also seen a divergence of impact. Companies with COVID-19-specific products have seen benefits, but at the same time there has been significant disruption to research and development activity due to temporary laboratory closures and the interruption of clinical studies. This in turn has dampened demand for products other than those relating to COVID-19. See 'Our performance' on pages 40 to 51 to read more about the financial impact on Abcam in 2019/20.

A large percentage of Abcam's revenues are derived from consumers who are publicly funded through research grants. Whilst the long-term impact on government funding for life science research is not yet known, there are various risks and opportunities regarding the funding outlook, including:

- an increased recognition of the value of scientific research in the aftermath of the pandemic, resulting in a greater allocation of government spending to life science R&D;
- the risk of further, prolonged interruptions to research activity and clinical trials due to COVID-19, impacting grant-funded research;
- an increased focus on COVID-19 research, resulting in a potential reduction of non-COVID-19 grants;
- an increase in the financial stress of government and non-profit budgets due to the recession, resulting in a possible reduction in funding available for research grants; and
- an increase in the financial stress of government and non-profit budgets due to the recession, resulting in possible personnel cuts or department closures.

The world is changing

Public expectations of the role of business are rapidly changing. Corporate behaviour is subject to new levels of scrutiny and judged by a different set of standards that go well beyond regulatory expectations.

If this was a trend observable before the coronavirus, it has only been accelerated and amplified because of it.

GROWING OUR INFLUENCE AND POSITIVE SOCIAL IMPACT

Superior reagents, capable of accelerating and de-risking research, used by more scientists across a wider section of the scientific community – ultimately resulting in more people with better health and wellbeing.

% of life science publications in which an Abcam product is cited (2019)

>50%

Custom projects undertaken with partners since 2013

>2,000

Number of Abcam antibodies validated for use on third-party platforms or for diagnostic use

>450



Sources of further information: Our Impact.



Purpose driven

Our purpose – to serve life scientists to help them achieve their mission, faster – drives everything we do and sits at the heart of our value creation model. 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.

Abcam has always been a purpose driven organisation, with a strong emphasis on doing business the right way. Beyond the delivery of financial results, we are aware of our need to ensure that we have a positive impact on our stakeholders, society and the environment.

Making a difference

Over the last two decades, Abcam has been viewed as a provider of resources for scientific researchers. Since the introduction of our vision “to be the most influential life sciences company for researchers worldwide” in 2014, we have endeavoured to show and grow our wider impact on not just the work that life scientists do, but how that leads to medical discoveries and progress. You can read examples of how we are achieving this on www.abcamplc.com/sustainability.

Abcam’s sustainability and growth objectives are intrinsically linked. Our business objectives and growth plans are designed to serve a growing, global base of customers with higher quality products. Better reagents, used by more scientists and researchers, in support of a wider section of the scientific community, all contribute towards the UN Sustainable Development Goal of more lives positively impacted through better health and wellbeing.

This wider contribution is also achieved through fostering partnerships across the life sciences community to drive greater achievement. The pride instilled in colleagues that can see how their professional purpose leads to a positive social impact accelerates Abcam’s vision and mission.

Doing business, the right way

Value creation is driven by a long-term commitment to creating an ethical and sustainable business, and this in turn generates returns for shareholders and enhanced relationships with all key stakeholders. Our business feeds a virtuous circle – striving to improve speed and quality, driving innovation and achieving scale.

The more successful we can be as a business, the greater the difference we can make in the world. That extends to doing business the right way. Our vision to be the most influential life sciences company in the world comes with a commitment to the highest ethical standards, not just in our own conduct but across our value chain.

Sustainability at our core

At Abcam we’ve always been motivated to do the right thing, and we’ve had a long running and successful Corporate Social Responsibility (CSR) programme, but we haven’t always fully understood or articulated our impact in the world. Today, we know that many investors are increasingly looking to Environmental, Social and Governance criteria (ESG) to frame their investment choices, and we know that being part of an ethical, purpose driven business increasingly matters more to our people and our partners.

Over the past 12 months we have set about deepening our understanding and measuring the impact we have, both positive and negative: how we can become more influential and help fuel even more scientific discoveries which enable breakthroughs in human health and wellbeing.

Alan Hirzel
Chief Executive Officer
12 September 2020

Our stakeholders Who they are and why they matter

Our purpose is to serve life scientists to achieve their mission, faster. Our vision is to be the most influential company for life science researchers worldwide, in support of research, diagnostic and therapeutic applications. To achieve this, and for our business to thrive, we need to have strong relationships with all our stakeholders – our customers, employees, partners, shareholders and communities and wider society.

We have to understand the needs of these stakeholders, and the most effective way to engage with them, as meeting and exceeding their expectations is an essential part of our value creation model and strategy.



Further details on our stakeholder engagement and our section 172 statement can be found on pages 58 to 62.

Our customers

Who they are

We serve approximately 750,000 global research scientists based within academic, research, government and biopharmaceutical organisations.

Why they matter to us

We exist to serve our customers. They are vital to the continued growth and development of our business. It is critical that we listen to them and offer the products and services they need.

What matters to them

Researchers want access to high-quality products with detailed and reliable data that ensure their experiments are conclusive, consistent and repeatable.

Customers focused on developing diagnostic or therapeutic applications want secure access to the best molecule to achieve their desired outcome.



See page 60.

Our employees

Who they are

Everyone employed by Abcam.

Why they matter to us

Our people are our most important asset. They are fundamental to our continued success, as their skill and dedication enable us to fulfil our vision and purpose.

What matters to them

Our employees want a great career, and a positive and motivating work environment where they can thrive, all underpinned by a supportive culture.



See page 60.

Our partners

Who they are

Those who have a direct working or contractual relationship, or share a mutual interest with us. This includes our strategic business partners, our suppliers, service providers, industry organisations, and local and Central Governments.

Why they matter to us

Their vital contributions to our business range from providing products, raw materials, services and advice through to the joint development and co-marketing of resultant products to the life science community.

What matters to them

Our partners want us to be trustworthy and live up to our promises.



See page 61.

Our communities

Who they are

Those who live and work in areas where we operate – and society as a whole.

Why they matter to us

We need to develop positive local relationships and understand local people's needs in order to attract talent and deliver our goals.

What matters to them

Beyond generating a positive impact on science and ultimately health and well-being, communities want us to act responsibly, reduce environmental impact and help their communities thrive.



See page 61.

Our shareholders

Who they are

Those who own shares in Abcam.

Why they matter to us

Our shareholders are a key source of efficient capital, enabling the business to invest and grow.

What matters to them

Our shareholders want to generate a positive long-term return from their investment.

Our shareholders want to understand our long-term strategy and how we plan to sustain value creation, together with shorter-term plans and communication of our progress.



See page 61.

Our business model

We are a global life sciences company providing highly validated antibodies and biological tools to the life scientist community. The success of our customers' work, from basic research to translational science, diagnostics and therapeutic clinical programmes, relies on rigorous product quality, performance and reliability.



Further details can be found on pages 14 and 15.

Sustaining social and financial value creation

Underlying our value chain is a set of defining strengths which set us apart from our competitors: our brand leadership in research use antibodies; our leading digital presence; our differentiated product innovation platform and product offering; our global scale and distribution platform and our global team and culture.

Our strategy and strategic priorities (see pages 22 to 26) harness these strengths to drive long-term profitable growth, which in turn drives free cash flow and return on invested capital – and ultimately attractive returns for shareholders. Sustainable value creation means investing for the long term. Given the abundance of market opportunities for growth (see page 10), in 2019 we set out plans to increase the pace of investment to accelerate our growth potential and generate long-term shareholder value. These plans included the ambition to reach sales of £450–500m, adjusted operating margins of above 30% and ROCE of over 18% by 2023/24.

Sustainable value creation also means operating in a responsible manner, which maximises positive impact and reduces negative impact. That is why at the heart of our business model and vision to grow our business is a commitment to increase our positive social impact whilst reducing our environmental footprint (see page 36), in turn contributing to the United Nations Sustainable Development Goals (see page 27).

Our strategy and business model continue to deliver growth that is consistent, competitive, profitable and responsible. Notwithstanding flat sales in 2019/20, in the six years since 2013/14, the Group has delivered compound annual sales growth of 12.5%, increasing reported sales to £260m, while total shareholder return was 278%. Over the same period, the number of times our antibodies were cited by researchers worldwide grew from ~14,000, to ~40,000 annually, reflecting our growing influence within the scientific community.

What sets us apart

We have purposeful people

Our people are fundamental to our continued success, as their skill and dedication enable us to fulfil our vision and purpose. Across a global team of approximately 1,500 colleagues, we aim to create a safe, fair and dynamic working environment that is collaborative and outcome focused. Nurturing employee excellence is one of the keys to our success, and we continue to prioritise the ongoing learning, training and development of our staff (see pages 32 to 34).

We offer a differentiated, high-quality product portfolio

We utilise our leading digital presence, extensive portfolio of high quality products and data-driven innovation platform to offer a differentiated proposition for customers. We offer approximately 100,000 products together with extensive and transparent product data via our online catalogue. This portfolio includes over 30,000 in-house products. We also offer custom services to certain of our customers seeking access to novel, high-quality and personalised solutions to support the development of specific diagnostic and therapeutic applications. (see pages 30 and 31)

We have global scale and reach

We have seven manufacturing facilities and seven distribution centres strategically located across four continents to serve many of the largest clusters of life science research hubs, which enhances supply chain efficiency and allows us to serve customers quickly. Combined with our network of distributors, we are able to serve customers in over 130 countries.

We have a strong capital foundation

We're valued for our long-term track record of durable growth, high product margins, strong cash generation and returns.

The support of our shareholders and banking partners is the foundation of our continued investment in innovation to serve our customers and drive our long-term growth aspirations (see page 62).



How we do it



1. We prioritise understanding our customers

Starting with our data and consumer insights, we focus on understanding, anticipating and serving our customers' needs as quickly as possible. In addition to employing data analytics and research area specialists, we maintain regular dialogue with key opinion leaders, conduct customer surveys and host focus groups. This enables us to gauge customer satisfaction and, through close collaboration between our data and R&D teams, use the insights gained to inform our product development pipeline, aligning our innovation efforts with our customers' evolving needs and priorities.



2. We continuously innovate and curate our offering to optimise its quality and utility

Informed by data analytics, we continuously innovate new in-house products to the areas of greatest technical and commercial need. We make these products available to global researchers through our catalogue, to instrumentation partners seeking content for their platforms, and to diagnostic or biopharma organisations seeking molecules for potential clinical use. In addition, we add promising, high-quality products from over 300 third-party suppliers to our catalogue to complement our own offering. Finally, through our business development and custom solutions teams, we partner with organisations seeking personalised solutions and for whom we create bespoke or novel products.

We drive quality standards through a variety of initiatives, including in-house quality assurance programmes and the ongoing stringent quality management of third-party products. Whilst most of our products are sold as research use only (RUO) reagents, the high quality of our products allows us to support antibody and assay development for use across the in-vitro diagnostic (IVD) sector.



3. We provide extensive product data, fast service and expert support

Researchers rely on testing and validation data in order to select the right product for their specific need. We provide extensive product characterisation and validation data, sourced from our in-house laboratories, our network of collaborators and independent consumer product reviews, via our digital platform.

Our customer and scientific support teams provide around the clock, multilingual and highly specialised assistance to ensure that our customers are supported through their research, both before and after they purchase our products. In 2019/20, our support teams handled almost half a million inquiries, and responded to the vast majority of these inquiries within 24 hours.

Our global footprint, combined with a network of distributor partners, allows us to provide our products and services to customers almost anywhere in the world, with orders generally shipped within 24 to 48 hours.

The value we create

For society, improved health and wellbeing

Our products are used around the world to advance the global understanding of biology and causes of disease which, in turn, is driving new diagnostics, treatments and improved health outcomes.



More information on pages 30 and 31.

For our customers, faster progress toward their goals

We help researchers accelerate scientific discovery, and translate those discoveries into clinical products.



More information on page 59.

For our people, a positive, diverse culture in which to thrive

We aim to create a safe, fair and dynamic working environment and invest in our people to support their development.



More information on pages 32 to 34

For our business partners, symbiotic relationships

We seek to build long-term collaborative and mutually beneficial relationships based on trust.



More information on page 35.

For our shareholders, profitable growth

We deliver consistent, profitable and responsible long-term growth.

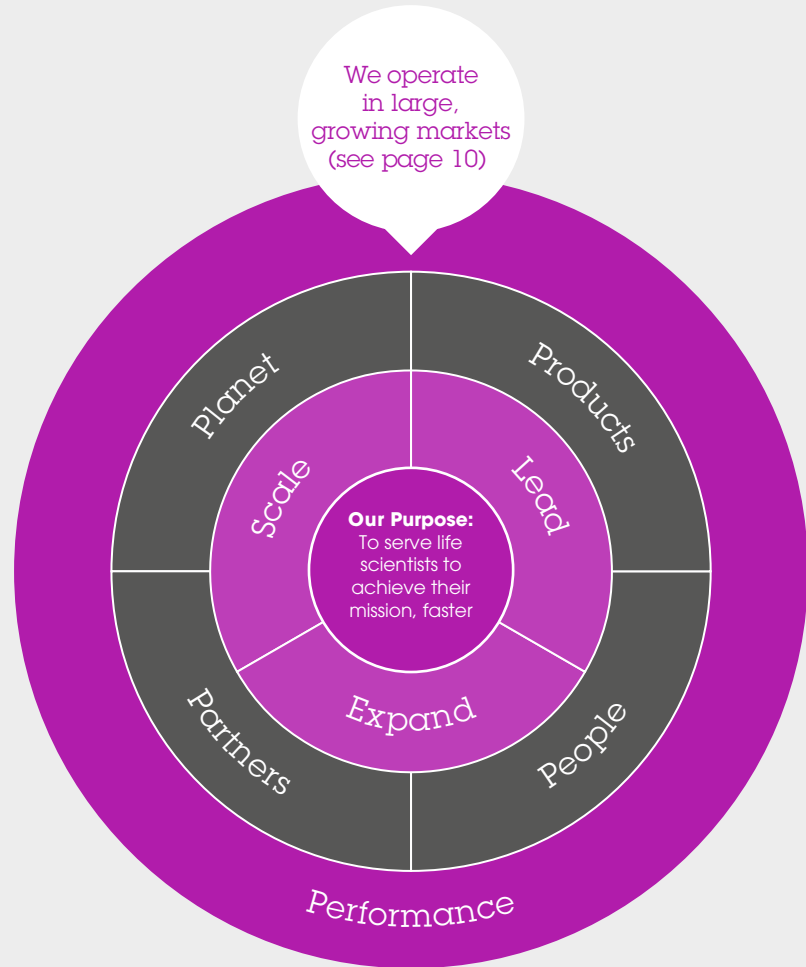


More information on page 38.

Our strategy

How we aim to grow our impact and sustain profitable growth

Our strategic model for sustainable social and financial value creation



Our three strategic pillars

| | | |
|---|--|---|
| <p>1. Lead Sustain and extend antibody and digital leadership.</p> | <p>2. Expand Drive continued expansion into complementary market adjacencies.</p> | <p>3. Scale Build organisational scalability and sustain value creation.</p> |
|---|--|---|

Our six growth strategies supporting our three strategic pillars

| | | | | | |
|-------------------------------------|--|--|------------------------------|---|---------------------------------|
| Extend leadership in RUO antibodies | Remove innovation constraints and launch new lines | Be a leading discovery partner for biopharma | Be a leading digital company | Remove scalability constraints and sustain value creation | Selectively pursue acquisitions |
|-------------------------------------|--|--|------------------------------|---|---------------------------------|



Key drivers shaping our customer and markets. Pages 10 to 13.

Further details of our growth strategies. Pages 24 and 25.

| | |
|----|--------------------|
| 14 | Overview |
| 16 | Our stakeholders |
| 18 | Our business model |

Sustaining long-term growth

Abcam's goal is to create sustainable social and financial value, by helping accelerate the pace of discovery, and the translation of those discoveries into social impact.

We are uniformly committed to responsibly pursuing that goal through our purpose and have a clear strategy to achieve this.

In September 2019, we set out plans to invest in our business to drive growth over the next five years. Those investments are accelerating the implementation of initiatives that are allowing us to increase support for those at the forefront of biological research, seize more market opportunities for growth and increase the positive social impact we are able to generate over the next five years and beyond.

Our results this year demonstrate the progress we have made and how much more we believe we can do.

A sustainable foundation

Doing the right thing makes good business sense and is fundamental to creating sustainable value. As covered in detail in Our Impact (see pages 27 to 39), this year we have begun to capture data and analyse the impact we have on society as we execute our strategy – the advances in medical research we enable, the positive working environment we create and the resources we use.

As we look forward, we will strive to do more, analysing our supply chain and the materials we use – where we source from, how they are transported and what happens to them once our customers have used them. Whilst our analysis shows that our negative impact in these areas is minimal, our aim always is to do more, find better ways and operate more efficiently.

Focused effort

In September 2019 we set out our three strategic pillars to guide our activities. This year we provide an update on the progress made across the six strategic priorities that underpin these pillars. They form the foundation of our growth strategy and value creation plan for the medium-term. They are designed to help us grow together; not just as a Company, but as a global team, and to do so in an efficient and effective way.



Purpose and culture
Pages 18 to 21.

Strategic growth priorities
Pages 24 to 26.

Sustainability priorities
Pages 27 to 37.

Financial performance
Page 38.

Our value creation model continued

The strategic and operational milestones reached in 2019/20 and our future priorities:

1. Extend leadership in RUO antibodies

Our growth strategy starts with a commitment to extending our antibody leadership. Fundamental to our purpose, we are committed to help advance and accelerate our customers' research and, in turn, support our market share gains. We seek to do this through the ongoing curation and expansion of our product portfolio, combined with the addition of data, knowledge and information that demonstrates the performance and increased utility of those products in a broader range of experiments and applications.

Our strategy is enhanced through our focus on in-house proprietary products, including one of the world's largest portfolios of recombinant rabbit monoclonal antibodies. Through continuous innovation we are focused on ensuring that our portfolio is aligned with the targets, research areas and biological pathways in highest demand from our customers.

2019/20 priorities

- Develop best in class binders to high value targets, pathways and research areas
- Expand industry leading quality and validation initiatives
- Extend immunoassay portfolio
- Execute China growth strategy to maintain regional leadership

What we achieved

- Launched >2,000 in-house Ab products, exceeding target despite COVID-19 and increasing our range to over 20,000
- Continued to extend and enhance our antibody validation programme, with over 450 products knockout validated
- Achieved our highest ever product satisfaction rate (12-month rolling)
- Increased our global Ab citation share by +2%pts to 23%, with our China Ab citation share up +4% (cal-2019)
- Increased our global ELISA citation share +4%pts to 18%

2020/21 priorities

- Successfully introduce and commercialise next cohort of in-house products to important research area needs
- Further enhance product validation and continue to raise quality standards
- Define plan to transition to 100% recombinant portfolio

Relevant KPIs

- Total revenue growth (CER)
- In-house catalogue revenue growth (CER)
- Customer tNPS

2. Remove innovation constraints and launch new lines

We are developing our innovation capabilities to meet a broader range of our customers' needs. This is enabling us to grow within our addressable markets and at the same time provides us with in-house tools to increase the rate at which we can expand our portfolio of in-house antibodies. Specifically, we are focused on:

- **Antibody-derived products for high value, high growth markets.** We are extending the range of products derived from our catalogue of in-house primary antibodies, including primary antibody conjugates, antibody pairs, our SimpleStep singleplex assays and our in-house Fireplex multiplex products;
- **Complementary product areas that simultaneously enable antibody innovation.** These product areas include bioactive proteins, as well as disease relevant engineered cell lines and associated cell lysates; and
- **Third-party instrumentation platforms and multiplex partners.** We are focused on growing our partnerships with third parties developing either novel platforms or upgrading their existing platforms to address novel biomarkers, by providing them with our antibodies and reagents to offer their users.

2019/20 priorities

- Build immunogen capability and launch proteins business
- Build validation capability and launch cell lines and lysates business
- Launch and extend imaging, assay and multiplexing lines

What we achieved

- Opened protein expression capability and launched line of in-house proteins
- Established engineered cell lines offering, adding >800 cell lines and >2,600 lysates to the catalogue
- Expanded our Fireplex customer base
- Delivered ahead of commercial plan for proteins, cell lines, multiplex, and conjugates product lines, despite COVID-19 impact

2020/21 priorities

- Continue to drive successful adoption of new product lines (proteins, cell lines, multiplex, conjugation) consistent with multi-year growth plans

Relevant KPIs

- Total revenue growth (CER)
- In-house catalogue revenue growth (CER)
- Customer tNPS

3. Be a leading discovery partner for biopharma organisations

Diagnostic and biopharmaceutical companies are increasingly seeking product development partners with unique antibody and assay development capabilities, such as ours, to complement their in-house programmes (see Our Markets). Through our portfolio of high-performance in-house products, combined with a growing innovation, commercial and manufacturing capability, our goal is to be a leading discovery partner for these strategic customers. We believe this will lead to increased opportunities for the development of custom solutions, partnerships, and collaborations.

2019/20 priorities

- Build on our position to become a leading antibody discovery partner for biopharma, including:
- Extend in-licensing and out-licensing capabilities
- Strengthen solution selling
- Extend network of commercial relationships

What we achieved

- Established supply agreements with four new instrumentation partners and extended existing programmes
- Entered over 50 new development programmes with diagnostic/biopharma partners, including early pipeline access programmes
- Extended the number of products validated for use on third-party platforms and/or in IVD to over 450
- Strengthened our commercial team, enhancing our ability to serve global biopharma organisations

2020/21 priorities

- Continue to grow the number of viable products, agreements and relationships across 'Abcam Inside' initiatives

Relevant KPIs

- Number of products validated for use on third-party platforms or with IVD potential ('Abcam Inside')
- Customer tNPS

4. Be a leading digital company

Our digital platform and online presence remains an important differentiator in our markets. Our goal is to significantly enhance our digital channel by establishing a highly personalised digital relationship with our customers, which will be device agnostic, cloud based and driven by artificial intelligence. We believe this will help us to uniquely understand and anticipate researchers' needs and to provide them with the right set of tools to advance their research. Through faster response to customers and greater personalisation of the user experience, we aim to provide our customers with more relevant content to support their work.

2019/20 priorities

- Reinvent digital channel to add value for customers
- Increase personalisation of the browsing and shopping experience
- Upgrade the buying experience
- Continue to scale up data analytics to enhance the customer experience

What we achieved

- Updated recommendation engine
- Added "Frequently Bought Together" tool, supporting the x-sell of complementary products
- Launched Knowledge Base for automated FAQ
- Added New WeChat features, including anti-counterfeit measures
- Defined detailed design for new digital platform

2020/21 priorities

- Establish new web-platform to enable greater personalisation of the digital experience
- Successfully deploy next phase of enterprise software
- Expand capabilities and use of AI/data analytics

Relevant KPIs

- Customer tNPS

5. Remove scalability constraints and sustain value

Our objective is to strengthen our teams, systems and infrastructure while driving operational efficiency. We are focused on increasing our manufacturing capacity, increasing automation at process bottlenecks and optimising our global network and procurement functions. We are also transforming our systems and processes by implementing Oracle Cloud enterprise resource planning ("ERP") and other software solutions to replace legacy information technology systems. We are also focused on expanding our operations in multiple high growth regions, including China.

2019/20 priorities

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

What we achieved

- Deployed improved production processes and high throughput screening for Ab development, driving a 10% reduction in product development times
- Began implementation of enhanced USA footprint
- Identified and began to address global bottleneck constraints in logistics, operations and workflows
- Defined the detailed design for the final ERP modules

2020/21 priorities

- Complete next phase of global footprint plan in US and China
- Continue to improve product development times and success rates
- Reduce end to end supply chain movements and other sources of waste through greater cross-site collaboration
- Design and roll-out next global equity scheme

Relevant KPIs

- Total revenue growth (CER)
- Gross Margin
- Adjusted Profit Before Tax
- Adjusted ROCE

6. Selectively pursue acquisitions

We have a strong track record of successfully identifying, completing and integrating strategic acquisitions and investments. Our strong brand, broad platform, global infrastructure and diversified customer base has allowed us to generate growth and operating leverage through acquisitions. We intend to continue to pursue opportunistic acquisitions in our existing and adjacent customer segments to accelerate our growth, expand geographic coverage and augment our capabilities and workflow solutions.

2019/20 priorities

- Maintain a strong pipeline to add attractive products, technologies and capabilities
- Implement repeatable integration team/approach
- Be value disciplined

What we achieved

- Acquired and integrated certain business assets from Expedeon, Applied StemCell and Marker Gene Technologies and certain assets from Edigene, adding new technologies, capabilities and products
- Technology partnerships agreed with BrickBio and SomaServe

2020/21 priorities

- Continue to carefully evaluate potential opportunities that are aligned with our strategy
- Strengthen relationships for future deals

Relevant KPIs

- Total revenue growth (CER)

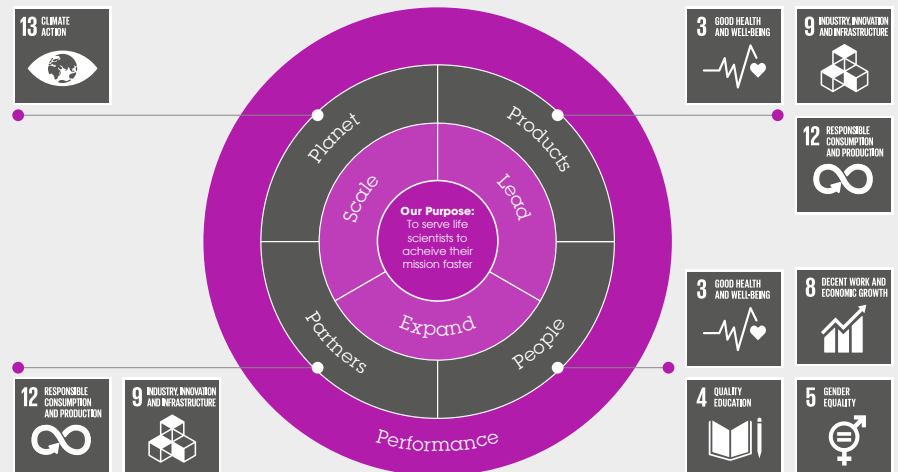
Our impact

The resources we need, the impact we have and how we sustain value creation

In 2020 we undertook our most comprehensive effort yet to understand and measure our impact in the form of a Sustainability Review that involved engaging with a broad range of stakeholders. You can read more about this in our inaugural Impact Report which can be found on our website: www.abcamplc.com/sustainability

The outcome of this review was the development of a sustainability framework to focus our efforts in four areas: Products, People, Partners and Planet. This framework forms the foundation of our commitment to being a responsible global citizen, and the basis of Abcam's sustainable value creation plan for all stakeholders.

Alignment to the UN SDGs



Our 10 long-term sustainability commitments:

Products

1. Improve product quality to reduce wasted R&D resources and accelerate the transition of early stage research to impact on society
2. Ensure ethical production across our supply chain and reduce animal use
3. Provide exceptional product support

People

4. Attract, retain and develop our teams to support our future growth
5. Promote diversity, inclusion and gender equality
6. Protect data and privacy
7. Inspire the next generation of scientists and promote access to STEM careers

Partners

8. Increase our impact through long-term, mutually beneficial relationships based on trust
9. Uphold our ethical standards across our value chain

Planet

10. Reduce our environmental impact

Our impact Measuring what matters

The following table sets out how we will measure our progress towards these commitments, and how each of them is aligned to the UN SDGs set out on pages 30 to 38:

Stakeholder alignment

Commitments

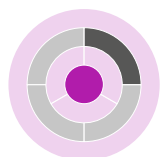
KPIs

2021 Targets

UN SDGs alignment

Programme governance

Products



- Customers
- Society

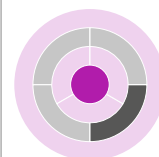
1. Increase product quality to reduce wasted R&D resources and accelerate the transition of early stage research to impact on society
2. Ensure ethical production across our supply chain and reduce animal use
3. Provide exceptional product support

- Customer tNPS
- In-house product revenue as % of total catalogue revenue
- Product satisfaction rate (12-month rolling), %

- Retain #1 share in global antibody citations

3, 9, 12

People



- Employees
- Communities

4. Attract, retain and develop our talent to support our future growth
5. Promote diversity, inclusion and gender equality
6. Protect data and privacy
7. Inspire the next generation of scientists and promote access to STEM careers

- Days lost due to H&S

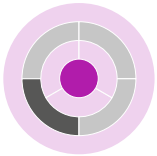
- Identify and report on further People KPIs over the next 12 months

3, 4, 5, 8

CEO Alan Hirzel has overall responsibility for delivering our linked business and sustainability objectives, supported by every member of the executive leadership team.

Oversight of impact is embedded in Board structures – in particular the Audit and Risk Committee. At Senior Executive level, sustainability is overseen by SVP for HR. It's important to our culture that we also enable our people to drive sustainable impact.

Partners



- Customers
- Partners
- Society

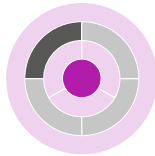
8. Increase our impact through long-term, mutually beneficial relationships based on trust
 9. Uphold our ethical standards across our value chain

- No. of products validated for 3rd party/IVD use
- OEM suppliers signed up to our Code of Conduct (%)

- OEM suppliers signed up to Code of Conduct: 100%

9, 12

Planet



- Communities
- Society

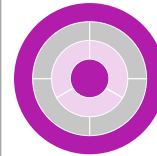
10. Reduce our environmental impact

- Carbon emissions, tCO₂
- Waste to landfill, tonnes

- Report Scope 3 carbon emissions

13

Performance



- Shareholders
- Employees

- Maintain attractive economics
 - Sustain financial value creation

- Total revenue growth, % (CER)
- Gross Margin, %
- Adjusted Operating Profit, £m
- Return on Capital Employed, %

8

Employee led forums, including a cross-functional Corporate Responsibility Committee help shape Abcam's sustainability agenda.

This year we have appointed a Corporate Responsibility Communications Adviser to drive progress, coordinate efforts and help us articulate the difference we make in the world. In 2020/21 we plan to further enhance our reporting arrangements to ensure appropriate oversight of our Planet programme.

Our impact

Areas of strategic focus

Our goal is to enable scientists to deliver faster, repeatable discoveries and more breakthroughs that improve the lives of patients – responsibly.

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. Under our new framework we are reporting against our sustainability priorities according to our four areas of strategic focus.

The following is a summary of our activity of our progress in these areas in 2020. Further detail is available in our inaugural 2020 Impact Report and online.



Further information, including our 2020 Impact Report, can be found on our website at www.abcamplc.com/sustainability

Products

Primary stakeholder impact

Society and Customers

Our multi-year sustainability commitments

- Increase product quality to reduce wasted R&D resources and accelerate the transition of early stage research to impact on society
- Ensure ethical production across our supply chain and reduce animal use
- Provide exceptional product support

KPIs

- Customer tNPS
- In-house product revenue as % of total catalogue revenue
- Product satisfaction rate (12-month rolling) (%)

Alignment to SDGs:



Increasing product quality to reduce wasted R&D resources and accelerate the transition of early stage research to impact on society

Antibodies and other proteomic research reagents have a vital role in biomedical research and scientific journals are calling for greater reproducibility of data in primary publications. Indeed, one recent study estimated the total wasted expenditure on poorly performing antibodies at ~\$800m per annum. Providing the highest quality products in terms of specificity, sensitivity and consistency, together with extensive product validation data is therefore a fundamental driver of customer loyalty and our reputation with life science researchers.

Furthermore, by producing and offering the highest quality and most reliable reagents for life scientists, the ability for those products to be used downstream, in translational research and in the clinic is growing, increasing our contribution to the health and wellbeing of people across the world.



During the year, we developed and published more than two thousand new high-quality antibody products to the catalogue, including recombinant RabMAb antibodies, antibody pairs, SimpleStep ELISA kits and new formulations that enable faster labelling and assay development. We also launched a new range of high-quality, bioactive proteins and a range of engineered cell lines and lysates.

We assessed the performance of thousands of antibodies on the catalogue during the year, removing those that failed to meet our quality standards, and we further extended our validation initiatives. Our award-winning CRISPR gene knockout validation programme grew by approximately 20%, and we validated hundreds of antibodies in new applications to extend their utility for customers.

As a result of this work, customer satisfaction rates for our products rose to an all-time high over the last 12 months and in the 2019 Biocompare Antibody Market Awards, Abcam was rated by scientists as their preferred supplier in 10 out of 11 categories, including best antibody specificity, most preferred antibody supplier and best website antibody experience.

The quality of our in-house product portfolio is helping drive the adoption of those products for use on third-party instrumentation platforms, and by partners for their use in the development of clinical products. We established four new platform partnerships during the year whilst expanding co-development programmes with current partners. We also grew our specialty antibody portfolio – signing over 50 new agreements with organisations that have the potential to lead to new diagnostic or therapeutic tools in years to come. Our recently announced partnership with Cancer Research UK illustrates the scale and breadth of influence that is possible. In all, we have 450 of our antibodies validated for commercial use on third-party platforms or as diagnostic tools, with hundreds more currently undergoing evaluation.

Ensuring ethical production across our supply chain and reduce animal use

We are committed to high ethical business practices and standards of integrity across our supply chain. We follow these in all our sourcing activities and decisions, and our suppliers must adhere to these high levels of animal welfare. We actively promote the adoption of the NC3R's directive, which aims to reduce the numbers of animals used and ultimately to replace animals entirely with alternative means. This includes a commitment to promote the continued growth of our recombinant antibodies and to adopt in vitro processes wherever possible.

In addition, we ensure that our suppliers of human tissue comply with applicable laws and regulations regarding the procurement, use and storage of such tissues; which must have been sourced with full prior informed consent and without financial reward.

To monitor compliance with our ethical policies, in 2020/21 we plan to roll out the use of our internal ethics hotline across our supply chain, allowing individuals to anonymously report any violations of the Company's Code of Conduct.

Providing exceptional product support

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

Together, our global scientific and customer support teams dealt with almost 500,000 enquiries last year, responding to the vast majority within 24 hours. Customers can contact us through multiple channels and we provide multi-lingual, global support.

As part of our Abpromise® commitment we guarantee a replacement if a product does not work as intended.

People

Primary stakeholders

Employees and Communities

Our multi-year sustainability commitments

- Attract, retain and develop our talent to support our future growth
- Promote diversity, inclusion and gender equality
- Protect data & privacy
- Inspire the next generation of scientists and promote access to STEM careers

KPIs

- Lost days due to H&S

We intend to identify and report on further People KPIs over the next 12 months

Alignment to SDGs:



Our People priorities closely align to four of the UN SDGs. These reflect the impact we have on our employees as well as the impact they, in turn, have on society as a whole.

Across our global locations we employ approximately 1,500 people, including over 300 who are focused on research and development. Attracting, developing and retaining diverse talent is crucial to the delivery of our strategy and our sustainability as an organisation. It is essential that we listen to our employees, support their development, recognise their achievements and provide a safe and diverse workplace.

Recognition

During the year we were proud to be recognised by Work180 as an employer of choice for Women and also to rank #6 in Glassdoor's 'Best Places to Work' Employers Choice in the UK, with a 98% approval rating. This external recognition is consistent with our internal engagement survey data and is more noteworthy given that we welcomed over 500 new colleagues during the year, including over 80 through acquisitions.

A summary of the progress made against our People commitments follows. Further information can be found on our website at www.abcamplc.com/sustainability.

An open, dynamic culture

We are committed to creating an exceptional work environment where people feel valued, respected and treated fairly. We champion three core behaviours – being dedicated, agile and audacious. As a conversational organisation, we encourage open, frequent dialogue through a number of channels, including our groupwide intranet, 'town hall' meetings and global updates from our CEO and other members of the Leadership Team. Our anonymous 'Ask Alan' channel offers anyone direct, anonymous access to the CEO, the answers being made available to all employees.

COVID-19 has been an accelerant of existing trends, whether moves to digital by default, or in attitudes to flexible and home working. Our flexible working policy resulted from a research project with The London Business School and has allowed us to respond to the crisis with agility, shifting seamlessly to a remote way of working. It served us well and put us firmly on the front foot in what will be an ever more important feature of workplace culture over the coming years.

Rewarding colleagues and developing an 'owner mindset'

Rewarding employees fairly, equitably and competitively is crucial to attracting, retaining and maintaining a motivated workforce. In particular, we are focused on fostering an 'owner mindset' throughout the organisation. A central initiative of this effort is our AbShare scheme, an award-winning, all employee share plan. Global employee take up of the plan is now at over 90%.

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

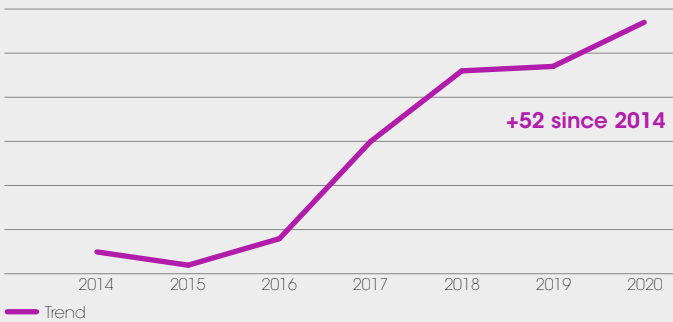
Throughout the pandemic, Abcam has continued to support employees with full employment. No one has been furloughed and we have continued with the annual pay review cycle. Finally, this year saw the creation of a new fund dedicated to raising the lowest salaries.

Engaging and developing our people

In March 2020, we implemented a new employee insights tool to better understand how our people feel and to help us make decisions quickly. The tool, which includes access to global comparative data, enables managers to receive real-time, actionable insights – something which has proved extremely valuable during recent times and has helping us to improve our employee engagement scores once again this year.

Improving global employee engagement

Relative employee NPS scores since 2014



In March, the Abcam Global Career Paths initiative celebrated its first anniversary with 67% of roles now included. We also launched a new talent development programme during the year, and promoted additional coaching and wellbeing tools to support the development of skills relevant to the pandemic.

The positive response to these initiatives is reflected in our employee insights tool, where we were ranked in the top 10% of over 1,000 companies globally, based on whether employees feel they have the right opportunities to grow and develop.

Health, wellbeing & safety

Every day, we must ensure that the safety of our employees and those who work with us is given the highest priority. This is the case in all of our offices and manufacturing sites around the world. A healthy and safe working environment is fundamental to the way we work. We have achieved improvements in workplace safety and incident reporting by continually applying an active and preventative health and safety programme, behaviour-based safety campaigns, and robust incident reporting and investigation systems. We recorded two lost days as a result of accidents or injuries in the year (2018/19: 5).

A major focus during the second half of the year was the development of a cross-functional, global response to COVID-19 focused on ensuring employee health and safety. An active communication programme was put in place, focused on physical and mental well-being and working safely at home, acknowledging the additional stress and anxiety that our people were facing. In addition, extensive protocols were put in place on a site by site basis to create safe environment for employees required to work onsite throughout the pandemic, as well as in preparation for broader teams returning.

Behaving ethically

Our commitment to doing business ethically involves all of us – our Board of Directors, Executive Leadership Team, senior managers, supervisors and employees. All employees must abide by our code of conduct (available on our website), which has been approved by the Board.

To support understanding and compliance, employees are required to undertake regular training across key topics such as Anti-bribery and Corruption and GDPR legislation. Our legal and compliance team 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.

We also promote a whistleblowing hotline and portal across the organisation, which enables employees to provide feedback or raise concerns anonymously. This channel was used once in the year, with a response and resolution achieved within 24 hours.

Promoting diversity, inclusion and gender equality

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.

Our latest UK Gender Pay Gap report, to April 2019, reported an increase to our pay gap figures and a reduction to our bonus gap. The starting point for change is an honest assessment of where we are today. During the year, 47% of promotions to senior leadership positions were women, however we still have too few women in our most senior positions. As such we have increased our effort to recruit and develop women through our organisation. This includes the introduction of Diversity & Inclusion targets that are linked to Senior Leadership remuneration. We have also increased our recruitment target of at least two woman on every shortlist for senior vacancies.

During the year, we launched a global Diversity and Inclusion intranet site, providing a home for Employee Resource Groups (ERGs) including our Women in Leadership, which continues to gain momentum, as well as LGBTQ+, family networks and others. In October, we launched a new Family Leave Policy which offers enhanced paternity and maternity leave.

People continued

Protecting Data & Privacy

The risks presented by cyber security are rising and therefore so too does the need to safeguard Abcam, our employees and our customers.

In 2019/20 we appointed a new head of global head of data security with a remit to review and make any necessary improvements to our digital security.

Protecting the privacy of personal information is a fundamental principle of Abcam's business. Abcam's Privacy Policy, which is available on our website at www.abcamplc.com/privacy-policy, describes how Abcam may use, maintain, protect, disclose, or transfer certain types of personal information in the provision of our Products and Services. Our Privacy Policy also describes the controls we provide to manage the use of personal information.

Across our business activities, Abcam is committed to handling personal information according to applicable laws. In particular, 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).

Inspiring the next generation of scientists and promoting access to STEM careers

We are committed to supporting the next generation of scientists, with a number of initiatives underway across our business. Our goal is to enable the provision of inclusive and equitable quality education and the promotion of lifelong learning, in support of the UN Sustainable Development Goal.

Internal efforts over the last 12 months include:

- Continuing to expand our leading UK apprentice scheme, with 29 active apprenticeships across all levels, including nine Senior Leaders Masters Degree level; and
- The continued support of our Career Development Fund, which provides funding for personal development where this requires achievement of a formal qualification e.g. Certificate of Marketing (CIM) or MBA.

Just as important as developing scientists at Abcam, is ensuring a pipeline of young talent are inspired to join and have access to our sector.

In2Science Partnership

In2Science is an award-winning charity founded by research scientists with the mission to help young people from underrepresented backgrounds consider a career in STEM, and ultimately progress to STEM professions. Promoting diversity and equal opportunities as well, Abcam's involvement with In2Science began in 2016 and continues to have a positive impact on the young people it supports and the sector as whole.

Charitable causes and local projects

We have a proud history of involvement with charities and organisations within our communities through which we continue to champion life science research and support local causes. This year, we rolled out our Charity and Communities Policy, globally, and activity is coordinated through employee-led committees in each market to maximise our impact. Through our committees, we support and run local fundraising events, sponsor our people in their own challenges for charity and make cash donations. As part of the policy and to enhance our contribution to global health and wellbeing, Abcam has adopted an 80/20 approach – 80% of our community support is prioritised for charitable causes in the life science and healthcare, and 20% is reserved for causes in the local community and this choice and flexibility ensures colleagues are still able to support causes that are close to their hearts.

Henrietta Lacks Foundation

Over the last year we have been working on a STEM grant for the Henrietta Lacks Foundation. The Foundation provides financial assistance to individuals and families – particularly within minority communities – who were involved in historic research cases without their knowledge, consent, or benefit. This includes the cases of Henrietta Lacks and HeLa cells, the Tuskegee Syphilis Studies, and The Human Radiation Experiments, among others. The Foundation offers those who have benefited from those contributions – including scientists, universities, corporations, and the general public – a way to show their appreciation to such research subjects and their families.

According to the Foundation, Abcam is the first life science company to have contributed to the Foundation and we are hopeful that we will be able to do more over the coming years in recognition of Henrietta's legacy to science and research.



Partners

Primary stakeholders

Partners, Customers, Society

Our multi-year sustainability commitments

- Increase our impact through long-term, mutually beneficial relationships based on trust
- Uphold our ethical standards across our value chain

KPIs

- Number of products validated on third-party platforms or as diagnostics ('Abcam Inside')
- OEM suppliers signed up to our Code of Conduct (%)

Alignment to SDGs:



Partnering is a cornerstone of our business. Since our foundation, we have collaborated across the life science community to support scientific discovery and medical breakthroughs. In 2020, the world has seen industry collaboration on an unprecedented scale. Companies, governments and academic institutes have come together to urgently tackle the global COVID-19 pandemic, with the single aim of finding ways to detect the coronavirus and treat this highly-infectious disease. To date, Abcam has entered discussions to join more than 30 collaborations across the UK, US, and China focused on SARS-CoV-2 diagnostic, drug and vaccine development.

Increasing our impact through long-term, mutually beneficial relationships based on trust

To meet our customers' needs and sustainably grow, we rely on relationships with external parties. These relationships take a variety of forms, ranging from hundreds of simple OEM supply agreements with reagent manufacturers, to complex, multi-faceted supply and commercialisation agreements with leading global diagnostic companies, biopharmaceutical organisations and assay platform providers. Working responsibly and collaboratively together, we aim to build long-term, mutually beneficial relationships that accelerate and increase the impact we can jointly have on science and society.

Product suppliers benefit from our distribution network, digital platform and recognised brand to support the sale of their products. Industry partners receive access to our products

and technologies, which are used to support the development of diagnostics and therapeutics, or provided to their customers for us on their technology platforms. Our partnership with Nanostring, for example, has seen over 70 of our antibodies validated for use on their new GeoMx™ Digital Spatial Profiler (DSP). Overall, over 350 of our antibodies were validated for commercial use on third party platforms or as diagnostic tools in in vitro diagnostic (IVD) applications in 2019/20, with hundreds more undergoing evaluation.

In addition, during 2019/20 we signed over 50 new agreements with industry partners as well as entering into more than 30 collaborations relating to Sars-CoV-2 as previously mentioned. Our long-established relationship with the Michael J Fox Foundation for Parkinson's Research was further expanded during the year, whilst our recently announced partnership with Cancer Research UK illustrates the scale and breadth of our influence.

Upholding our ethical standards across our value chain

We source third party antibodies and reagents from several hundred suppliers, and we rely on a network of distributors to quickly supply products to customers around the world. We expect our suppliers and distributors to demonstrate a culture that reinforces ethical and lawful behaviours and ensure all aspects of their business complies with applicable laws and regulations, both in the country in which they operate, and in the country to which the services or products are supplied. We also expect suppliers to adhere to high-product quality and ethical production standards, and monitor their performance through audits, reviewing the progress of any corrective action plans and measuring of key performance indicators.

In 2018, we began a programme to onboard all of our suppliers and distributors to new, enhanced Codes of Conduct. The codes cover our policies on a wide range of areas including human rights, modern slavery, freedom of association, animal welfare and anti-bribery and corruption. Further details are available via our website at www.abcamplc.com/sustainability. Over 98% of our OEM suppliers have now signed up to our new codes and we have served notice on those suppliers unwilling to commit, with our target to achieve 100% during 2020/21.

Our plans for 2020/21 include a review of our codes to ensure they meet best practise. We are also exploring new ways to monitor compliance as well as the broader sustainability credentials of our supply chain. This includes the roll-out of our whistleblowing 'speak up' hotline (hosted in cooperation with industry leader, EthicsPoint) to our supply chain.

Planet

Primary stakeholders

Society
Communities

Our multi-year sustainability commitments

- Reduce our environmental impact

KPIs

- Carbon emissions, tCO₂e
- Waste to landfill, tonnes

Alignment to SDGs:



Climate change and environmental damage have long-term consequences for our business and on the health and wellbeing of society. While our environmental impact is relatively low, we recognise our responsibility to the planet by reducing any harm we do and contributing towards the United Nations climate change reduction targets.

Beyond compliance

Climate action is a key focus for Abcam for the first time this year, but our concern for the environment is long-lived. We have a global environmental policy that positions good environmental management at the heart of our Company's values and commits us to fully comply, as a minimum, with all relevant environmental legislation. We are dedicated to the continuous improvement of our operations to improve performance and efficiency through innovation. The full policy is available on our website at www.abcamplc.com/sustainability.

In the last year, we have raised awareness of the policy among our staff, conducting training and creating a new, easy to navigate page on the Group's intranet site dedicated to the environment. In the last year there have been no instances of non-compliance and there have been no instances of our people reporting any issues through our whistleblowing channels.

Streamlined Energy and Carbon Reporting (SECR)

Reflective of the sentiment behind our environmental policy, this year we chose to go beyond compliance for SECR. We are reporting on our Scope 1 and 2 emissions globally rather than just in the UK. The disclosure also extends to fugitive emissions from the operation of facilities and chemical process emissions in the form of CO₂ (liquid and dry ice). Furthermore, we have also begun the additional analysis of our emissions under Scope 3, which will capture all upstream and downstream emissions related to our business. A partial analysis under

Scope 3, covering emissions from business travel, has already been undertaken. These emissions represented less than 1% of Abcam's overall emissions and have been excluded from the summary table below, as they are not material. We will publish the full results of the Scope 3 analysis when finalised.

In the table below, Scope 1 relates to emissions from activities for which the Company own or control including combustion of fuel and operation of facilities, and Scope 2 relates to emissions from the purchase of electricity, heat, steam and cooling for use at the Group's locations, all of which have been converted using government published conversion factors.

Carbon Emissions

| tCO ₂ e | UK | Rest of World | Global |
|--------------------|--------------|---------------|--------------|
| Scope 1 | 952 | 602 | 1,554 |
| Scope 2 | 618 | 2,580 | 3,198 |
| Total | 1,570 | 3,182 | 4,752 |

Energy consumption used to calculate emissions

| kWh | UK | Rest of World | Global |
|--------------|------------------|------------------|-------------------|
| Scope 1 | 2,219,808 | 649,155 | 2,868,963 |
| Scope 2 | 2,416,952 | 5,116,286 | 7,533,238 |
| Total | 4,636,760 | 5,765,441 | 10,402,201 |

Carbon Intensity

| tCO ₂ e/£m revenue | Global |
|-------------------------------|-------------|
| Total | 18.3 |

We consider the most appropriate intensity factor to be tCO₂e per million pounds of revenue. The data above, which is derived from analysis by a third party, forms the baseline from which we will compare our activity going forward, with an ambition to reduce our carbon footprint and put in place related science-based targets.

The above emissions estimates cover all material sources of emissions for which Abcam is responsible. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources was determined using the operational control approach. The calculation covers all of Abcam's UK operations, the offices leased to conduct these operations and activities for which Abcam own and control and business travel carried out in employee owned vehicles and rental vehicles. Data has been obtained from across the business from invoices and spreadsheets. Where there were data gaps, energy consumption was calculated using



pro-rata extrapolation of available data. This was deemed as appropriate as sufficient seasonal data was available to allow for a reasonable estimate. It was only required to fill small data gaps of one month for electricity consumption at the US sites. It was also used to fill a data gap in the US business travel data, whereby the month of June 2020 was missing. Energy was converted to greenhouse gas estimates using the UK Government's GHG Conversion Factors for Company Reporting 2019, IEA Emissions Factors 2019 and US EPA Emissions Factors 2018.

Reducing environmental impact

As an online business, our biggest opportunity to improve environmental performance is to target areas of our operations and improve efficiency. These are employee travel, the running of our buildings, waste from our packaging, and customer deliveries.

Employee travel

We have a network of local environmental champions and sustainability committees across our sites who work with our Environment, Health and Safety Team to improve standards and promote positive behaviours such as cycling to work. Depending on the season, between 20–30% of our people choose to cycle to work, significantly higher than national averages. Meanwhile approximately 25% commute by walking, public transport or car share. We see this as an opportunity to further engage with our people and as an effective strategy to reduce environmental impact.

In the last year, given the uncertainty of international travel due to the pandemic, travel between our sites has inevitably decreased. We travelled more than 1,000,000 kilometres less by air last year than the previous year saving nearly 120,000 CO₂e kg. Before the travel ban, our people were already choosing to connect with colleagues across continents virtually unless necessary. This is a trend that is set to continue as the impacts of the pandemic have changed the way business is done. We have no intention to return to the levels of employee air travel of 2019 as part of our responsibility to mitigate climate change.

Building efficiency

We are taking steps to conserve natural resources, continuously improve efficiency and reduce resource consumption by investing thoughtfully when we develop new facilities. For our new Cambridge, UK, site, which was completed in 2019, we worked with the developer to ensure the building reached a BREEAM standard of VERY GOOD. The standard puts the building in the UK's top 25% for environmental performance and is considered 'advanced good practice'. The criteria take resource and energy, land use and ecology, and transport and movement into account.

We continue to make efforts to improve energy efficiency across our sites. In September, we were audited by the UK's

Energy Savings Opportunity Scheme (ESOS) for which we were compliant. Following the outcome of the ESOS report, we are in the process of putting in place a Building Management System (BMS) at our Cambridge, UK, site to further optimise energy use in the building. We are also working to formalise energy management with an ISO 50001 certification.

In the US, light fixtures have been replaced with more efficient LED lighting at our Eugene site and it is our intention to integrate a BMS into our new site in Waltham, MA, which is currently under construction.

Waste from packaging

We are committed to recycling or reusing materials to reduce the quantity that goes to landfill and so we uphold a global waste management policy. This not only pledges compliance to local regulations but also determines that any waste produced by our operations must comply with the 'cradle to grave' tracking system so we can track the waste from the moment it enters our sites as a material to the eventual treatment or disposal. A baseline on waste from which to improve performance will be developed from our Scope 3 analysis.

In the last year, we have moved to digital-only datasheets, which has the potential of saving one million sheets of paper. We believe we are the first major life-science company to make this change. Other innovations include replacing kit boxes with recyclable kit bags, as the boxes were often too large and contained excess material, such as foam inserts, which cannot be recycled easily. Ongoing projects include trials to make two of our most used packages fully recyclable, trialling reusable internal transfer boxes, as well as manufacturing the most commonly used packaging component for antibodies (known as a 'lego brick') from sustainable materials.

Customer deliveries

We continue to use local bike couriers to deliver our products and reduce traffic in Cambridge, UK, and Boston, MA. As part of our Scope 3 analysis, we are working with a third party to report on our indirect emissions from sources that are not in our control. This includes our deliveries we make to customers through courier services around the world. The data will be made available on our website (www.abcampic.com/sustainability) and will be used to inform science-based targets to reduce our carbon emissions and improve resource efficiency.

Details of initiatives undertaken and data on our use of natural resources and waste management during the year can be found on the sustainability section of our website (www.abcampic.com/sustainability) and in our inaugural Impact Report.

Performance

Primary stakeholders

Shareholders, Employees

Our multi-year commitments

- I. Maintain attractive economics
- II. Sustain financial value creation

KPIs

– See financial KPIs

Alignment to SDGs:



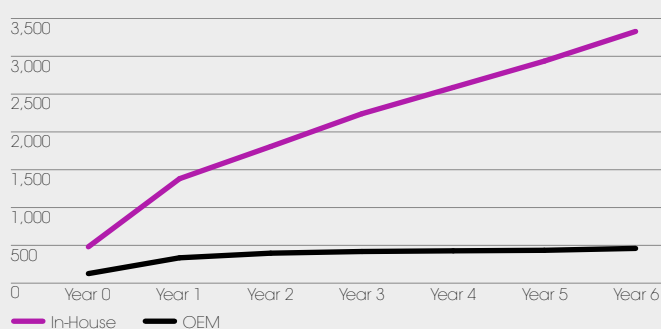
Operating transparently and responsibly, we manage our business to generate attractive and sustainable long-term economic returns and financial value creation.

In the six years from 2013/14 to 2019/20, our approach has delivered value for shareholders. Average revenue growth was 12.5% a year and during this period we generated over £200 million of free cash flow while, prior to 2020 (which has been impacted both by COVID-19 and our strategic investment plans), a return on capital employed of above 18% was maintained, a multiple of our cost of capital.

Over the same period (30 June 2014 to 30 June 2020) the total return to shareholders was over 275%.

Over this time, we have consistently grown the proportion of revenue we generate from in-house products, from 35% to over 47% (over 50% including from Custom Products and Licensing revenue). Not only do these products support our sustainability commitments (see pages 30 to 37) – they also generate a higher gross margin and a superior rate of growth than OEM products, as illustrated in the chart opposite.

Illustrative Average Gross Profit per Molecule Introduced¹ Rebased to 100 for OEM in Year 0



¹ Illustrative average gross profit margin for primary antibodies sold by Abcam during the first six years following launch as compared to OEM products sold by Abcam during the first six years following launch.

Generating growth ahead of our markets remains a principal objective for our business, across all product categories and geographies. While overall market growth is likely to continue to be impacted by COVID-19, since April conditions have started to improve in all regions and the long-term growth outlook for our markets remains positive. For commentary on our current trading see page 45. To read more about the long-term trends in our markets see pages 10 to 13.

This year we set out, and embarked, on a new five-year 'invest-to-grow' strategy. As reflected in our long-term financial goals below, we are confident that the implementation of our plans will not only drive sustained growth over the medium and longer term, but also that they will lead to gross margin expansion and operational efficiency gains, providing the resources to further invest in our innovation, enterprise and long-term growth.

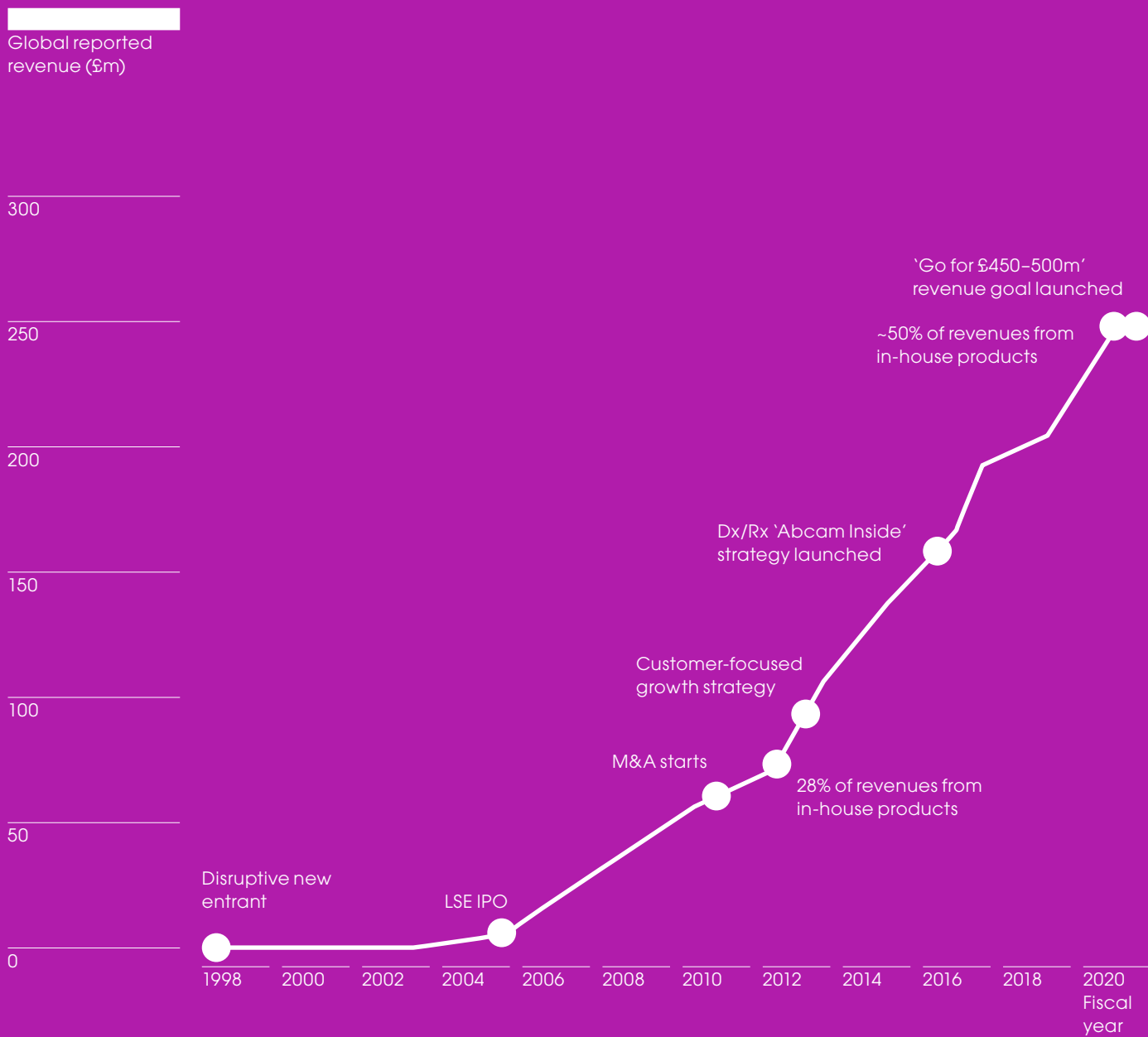
Financial goals to 2023/24

| | |
|----------------------------------|------------|
| Revenue | £450– 500m |
| Adjusted operating profit margin | Above 30% |
| Pre-tax Adjusted ROCE | Above 18% |

(see pages 40 to 45 for a discussion of our financial performance in 2019/20).

(see pages 52 to 57 for risks and how we are mitigating these).

Revenue growth 1998–2020



'Abcam 1.0'

- Disruptive e-commerce platform revolutionising the purchase of antibodies
- Extensive, open and transparent performance data
- Value added distributor of third-party products



'Abcam 2.0'

- Innovation engine
- Multiple technologies
- Increasing scale and throughput

Our 2020 performance: CFO's review

The CFO's Report and Financial Review includes discussion of alternative performance measures which are defined further in the detail on Investor information on page 153 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 consolidated financial statements.

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

Overview of Group Performance

Group Financial Performance

| | Reported results | | Adjusted results | |
|------------------------------------|--------------------|------------|--------------------|------------|
| | Year ended 30 June | | Year ended 30 June | |
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| Revenue | 260.0 | 259.9 | 260.0 | 259.9 |
| Gross profit | 180.2 | 183.2 | 180.2 | 183.2 |
| <i>Gross profit margin (%)</i> | 69.3% | 70.5% | 69.3% | 70.5% |
| Operating profit | 10.5 | 56.1 | 44.5 | 83.6 |
| <i>Operating profit margin (%)</i> | 4.0% | 21.6% | 17.1% | 32.2% |
| Net finance (costs)/income | (2.1) | 0.3 | (2.1) | 0.3 |
| Profit before tax | 8.4 | 56.4 | 42.4 | 83.9 |
| Taxation | 4.1 | (11.4) | (7.7) | (16.5) |
| Profit after tax | 12.5 | 45.0 | 34.7 | 67.4 |
| Earnings per share | | | | |
| Basic earnings per share | 6.0p | 22.0p | 16.7p | 32.9p |
| Diluted earnings per share | 6.0p | 21.8p | 16.6p | 32.6p |
| Annual Dividend per share | 3.55p | 12.13p | 3.55p | 12.13p |
| Net cash at end of the year | 80.9 | 87.1 | 80.9 | 87.1 |
| Return on Capital Employed | | | 6.8% | 20.8% |

After delivering growth of 10.8% in the first half of the financial year, Group revenue in the second half declined by 9.9%, impacted by the onset and spread of COVID-19. As a result, total revenue for the year overall was £260.0m, level with the prior year (2019: £259.9m). Although we saw a reduction in demand due to the ongoing COVID-19 pandemic, we have not observed any significant changes in our underlying customer base, and we have been and will continue to serve our customers as their activities return to normal. The impact on revenue seen in the second half reflects the underlying factors affecting demand, including the easing of lockdown restrictions and the partial or full reopening of academic and biopharmaceutical research laboratories around the world.

We are continuing to monitor closely how the pandemic and related response measures are affecting our business. Our production and manufacturing facilities are located around the world, so while certain facilities were shut down or operating at reduced capacity at certain times during our second half, our other locations were able to continue operating as normal.

In September 2019, the Group set out plans to increase the rate of investment across several areas of the business, including research and development, digital marketing and e-commerce, technology and global operations in order to achieve more and faster growth over the medium and long-term. Despite the impact of COVID-19, we have been pleased with our ability to make progress across a broad range of these areas in the year, and this progress, together with the effects of COVID-19 on revenue, can be seen on the Group's profitability, with reported operating profit of £10.5m (2018/19: £56.1m) and adjusted operating profit of £44.5m (2018/19: £83.6m). The Group's adjusted operating profit margin of 17.1% (2018/19: 32.2%) is expected to continue to be suppressed by the effects of COVID-19 and our investment plans in the short to medium term, but in the longer term is expected to return above thirty per cent, as set out in our five-year plan in September 2019. We currently anticipate adjusted operating costs to be around 20% higher in 2020/21, reflecting the annualization of investments made during the course of 2019/20 as well as further planned investments, including into recently acquired technologies.

The Group was cash generative at the operating level with cash generated from operating activities of £63.0m (2018/19: £70.2m) and Free Cash Flow of £19.0m (2018/19: £34.3m). This, taken together with the proceeds of the £110m equity placing in April 2020, meant we ended the year with cash and cash equivalents of £187.3m and undrawn capacity of £93m on our revolving credit facility, providing us with the necessary liquidity to support our organic growth plans.

During the year, we deployed approximately £120m on strategic acquisitions (including acquisition and integration costs) in existing and adjacent customer markets. These acquisitions have brought new products, technologies and capabilities into the business, which are helping us to solidify existing market positions and expand into new markets.

Revenue

| | Reported revenue | | Increase/ (decrease) in reported revenue | CER growth rate |
|--|------------------|---------------|---|-----------------------|
| | 2019/20 £m | 2018/19 £m | | |
| Catalogue regional split | | | | |
| The Americas | 96.8 | 101.3 | (4.4)% | (6.7)% |
| EMEA | 68.4 | 66.4 | 3.0% | 3.4% |
| China | 39.1 | 39.8 | (1.8)% | (1.5)% |
| Japan | 18.8 | 16.8 | 11.9% | 6.2% |
| Rest of Asia Pacific | 20.0 | 18.5 | 8.1% | 6.4% |
| Catalogue revenue sub-total | 243.1 | 242.8 | 0.1% | (1.2)% |
| Custom products and services | 6.3 | 5.4 | 16.7% | 12.7% |
| IVD | 4.7 | 6.9 | (31.8)% | (33.5)% |
| Royalties and licences | 5.9 | 4.8 | 22.9% | 18.5% |
| Custom products and licensing sub-total | 16.9 | 17.1 | (1.2)% | (4.2)% |
| Total reported revenue | 260.0 | 259.9 | 0% | (1.4)% |
| Catalogue product split: | | | | |
| In-house products | 114.4 | 106.4 | 7.5% | 6.2% |
| OEM products | 128.7 | 136.4 | (5.6)% | (6.9)% |
| Catalogue revenue sub-total | 243.1 | 242.8 | 0.1% | (1.2)% |

Total reported revenue remained broadly flat year-on-year at £260.0m (2018/19: £259.9m) with the performance resulting mainly from the impact of the COVID-19 pandemic in the second half of the year, where we saw reduction in demand as research laboratories shut down temporarily or reduced activity. We continued to serve the needs of laboratories that remained open, but due to the demand reduction, monthly revenues decreased by 9% in March, 40% in April, 28% in May and 1% in June on a constant currency basis, resulting in an overall second half decline of 9.9% (-10.2% CER).

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 -1.4%.

Foremost amongst these was the acquisition of the proteomics and immunology businesses of Expedeon AG (the "Expedeon Acquisition") in January 2020 for £104.2m.

Reported basic EPS declined to 6.0p (2018/19: 22.0p) with the effects of COVID-19 being a significant influencing factor but also the effects of adjusting items, which are described further below. Adjusted basic EPS declined to 16.7p (2018/19: 32.9p). Reported diluted earnings per share decreased to 6.0p (2018/19: 21.8p) and adjusted diluted earnings per share decreased to 16.6p (2018/19: 32.6p).

Catalogue revenue increased by £0.3m to £243.1m (2018/19: £242.8m) and comprised approximately 94% of total revenue. Within catalogue revenue, in-house products delivered a strong relative performance, increasing by 7.5% on a reported basis (6.2% CER) to £114.4m or 47.1% of total catalogue revenue (2018/19: 43.8%). Including CP&L revenue, discussed in more detail below, total revenue from in-house products and services increased 6.3% (4.7% CER) to £131.3m (2018/19: £123.5m), representing 50.5% of total revenue.

Regionally, all markets were adversely impacted by COVID-19 in our second half, with the Americas and China seeing the greatest impact, resulting in declines of 4.4% and 1.8% over the full year, respectively. EMEA, Japan and the rest of Asia Pacific fared better and overall, these regions delivered reported growth of 3.0%, 11.9% and 8.1% for the full year.

Our 2020 performance: CFO's review continued

Custom Products & Licensing (CP&L) revenue, which comprises royalty and licence income as well as revenue from the supply of products for in vitro diagnostic (IVD) use and the custom service business, accounted for 6.5% of revenue. Custom products and services increased 16.7% (12.7% at CER) to £6.3m and royalties and licencing revenue increased 22.9% (18.5% at CER) to £5.9m, part of which was a result of the Expedeon Acquisition. IVD sales declined to £4.7m (2018/19: £6.9m), lower than expected due to the certain purchasing delays of IVD

products experienced in the first half of the year and which continued into the second half.

Gross margin

Reported gross margin decreased by 120 basis points to 69.3% (2018/19: 70.5%). The decrease was primarily a result of weaker revenue and margins within CP&L, as well as an increase in direct costs, such as packaging and freight. This was partially offset by a favourable product mix in the catalogue.

Operating costs and expenses

| | Reported | | | Adjusted* | | |
|--|---------------|---------------|--------------|---------------|---------------|--------------|
| | 2019/20 £m | 2018/19 £m | % Change | 2019/20 £m | 2018/19 £m | % Change |
| Selling, general and administrative expenses | 131.4 | 112.1 | 17.2% | 118.3 | 88.9 | 33.1% |
| Research and development expenses | 38.3 | 15.0 | 155.3% | 17.4 | 10.7 | 62.6% |
| Total operating costs and expenses | 169.7 | 127.1 | 33.5% | 135.7 | 99.6 | 36.2% |
| Non-cash costs | | | | | | |
| Depreciation and amortisation | (29.9) | (15.4) | 94.2% | (21.3) | (8.8) | 142.0% |
| Impairment | (14.9) | (12.8) | 16.4% | — | — | — |
| Share-based compensation | (9.3) | (6.5) | 43.1% | (9.3) | (6.5) | 43.1% |
| Total operating costs and expenses excluding non-cash costs | 115.6 | 92.4 | 25.1% | 105.1 | 84.3 | 24.7% |

* Details of items excluded from reported costs and expenses are provided in Adjusting Items below and in note 7 of the consolidated financial statements.

Selling, general & administrative (SG&A) expenses

On a reported basis, after the impact of the year-on-year movement in exchange rates, expenses increased by £19.3m to £131.4m (2018/19: £112.1m) or 17.2%. On an adjusted basis, SG&A expenses rose by 33.1%. The year-on-year increase in reported costs includes the following key items:

- A £13.7m increase in salaries and salary-related costs, to £76.7m, predominantly due to increased headcount as well as increased untaken vacation accrual which arises from the impact of COVID-19. The figure also includes an increase in non-cash share-based compensation costs of £1.1m;
- An increase of £4.0m in general administrative costs, to £11.1m, with a key component being a full year's software licence costs relating to the ERP system which went live in April 2019;
- An increase in depreciation and amortisation charges of £12.0m, to £20.0m, comprising £6.7m in respect of the implementation of IFRS16, £1.3m in respect of the annualization of depreciation on assets brought into use in the Group's new headquarters, and £2.3m owing to the increase in software amortisation costs, reflecting a full years' contribution from the ERP system modules, which deployed in April 2019;
- A £1.3m year-on-year foreign exchange related increase owing to the relative weakness of Sterling; and
- A total increase of £2.5m across integration and reorganisation costs and acquisition costs, with integration and reorganisation costs down £1.6m, to £2.1m, and acquisition costs of £4.1m (2018/19: nil), both of which are treated as adjusting items.

These increased costs were partially offset by £12.8m representing the absence of an impairment charge incurred in 2018/19 in respect of the ERP system and which was treated as an adjusting item.

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. 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 increased by £23.3m to £38.3m, net of an R&D tax credit of £1.5m (2018/19: £1.9m). This increase was primarily due to:

- £4.3m increase in salary and related costs (which is net of an offset for amounts allocated to intangible fixed assets and inventories) with the increase being partly to acquisition related activity during the year, in particular Expedeon, which was purchased in January 2020 and also £1.7m of increased non-cash share-based compensation;
- £14.9m of impairment charges in respect of historically acquired technology relating to AxiomX and discussed further in adjusting items, below;
- £0.9m increase in depreciation and amortisation charges; and
- £1.7m increase in amortisation of acquisition intangible assets (included within adjusting items) which reflects mainly the new acquisition intangibles acquired with Expedeon.

Investment in systems, processes and infrastructure

We continued to invest in our IT systems, infrastructure and business processes to facilitate progress towards our strategic goals and enable operational scalability as the Group continues to grow.

Following the successful launch of the Finance and Non-stock procurement modules of the Oracle Cloud ERP programme in 2018/19, work continued during the year towards completion of the project with total spend in the year of £15.9m, comprising capital expenditure of £11.6m (2018/19: £11.6m) and operating costs of £4.3m (2018/19: £4.5m). In addition, amortisation charges relating to the ERP of £3.3m (2018/19: £1.0m) were incurred in the year, with the increase resulting from the modules implemented part way through 2018/19 being amortised for a full financial year.

We anticipate completion of the majority of the remaining modules during 2020/21 at an anticipated cost broadly level with 2019/20 and expect the final modules under this programme to be deployed in 2021/22. We also plan to increase investment in our broader digital platform in the year ahead, with a focus on our customer facing systems.

During the year, the Company also initiated the next stage of its global footprint expansion, encompassing its operations in the US and China. This capital investment, which will see the construction of a new 100,000 sq. ft site in Waltham, MA, as well as other site upgrades and expansions, is expected to amount to approximately £15m after landlord incentive payments and fall prominently into 2020/21.

Adjusting Items

| | 2019/20 £m | 2018/19 £m |
|--|---------------|---------------|
| Impairment of intangible assets | (14.9) | (12.8) |
| System and process improvement costs | (4.3) | (4.5) |
| Acquisition costs | (4.1) | — |
| Integration and reorganisation costs | (2.1) | (3.7) |
| Amortisation of acquisition intangibles | (8.6) | (6.5) |
| Total adjusting items affecting operating profit before tax | (34.0) | (27.5) |

Adjusting items in the year totalled £34.0m (2018/19: £27.5m), comprising:

- A £14.9m impairment of intangible assets relating to the AxiomX in Vitro monoclonal antibody production technology acquired in 2015, which although proving commercial feasibility, has not yet seen utilisation at sufficient scale to support the asset value;
- Systems and process improvement costs related to the Oracle Cloud ERP project (ineligible for capitalisation) of £4.3m (2018/19: £4.5m);
- Acquisition costs of £4.1m, predominantly relating to the Expedeon Acquisition;

- Integration and reorganisation costs of £2.1m, relating partly to the integration of the Expedeon acquisition, as well as reorganisation costs in respect of the alignment of the Group's operational structure and global footprint; and
- £8.6m in costs relating to the amortisation of acquisition intangibles (2018/19: £6.5m), with the year-on-year increase predominantly due to the Expedeon acquisition.

Earnings and tax

Reported operating profit was £10.5m (2018/19: £56.1m). Adjusted operating profit decreased to £44.5m (2018/19: £83.6m), representing an adjusted operating profit margin of 17.1% (2018/19: 32.3%) reflecting planned investment, the impact of COVID-19, and the step up in non-cash items including depreciation and amortisation and share-based payments.

Profit before tax on a reported basis was £8.4m (2018/19: £56.4m). This was after net finance costs of £2.1m (2018/19: net interest income of £0.3m). The increase in interest costs was due to lease liability costs of £1.5m following the implementation of IFRS16, and interest costs on the Group's revolving credit facility of £1.3m (2018/19: £0.3m).

The Group reported a net tax credit of £4.1m (2018/19: charge of £11.4m). As well as the reduction in taxable profits, the Group benefited from a tax credit of £6.0m received under the UK's 'Patent Box' regime, whereby a lower rate of tax is applied to profits on patented income. The figure of £6.0m includes a historical element of £4.6m for the financial years 2015/16 to 2018/19 which is shown within adjusting items.

Total adjusting items had a beneficial effect of £11.8m on the tax charge, resulting in an effective tax rate on adjusted profits of 18.0% (2018/19: 19.7%). At the Budget in March 2020, the government announced that the UK corporate tax rate would remain at 19% until April 2022 rather than reduce to 17% as had previously been outlined. As a result, the Group now anticipates that its effective tax will remain around 18% in the medium term, although this is subject to further changes to the UK corporate tax rate which are yet to be announced in respect of remedial actions taken by the Government to address the deficit caused by COVID-19 as well as equivalent changes which may occur in other in jurisdictions in which the Group operates.

The weighted average number of ordinary shares in issue increased by 2.6m in the year, predominantly due to the placing of new shares in April 2020. Accordingly, basic earnings per share (EPS) for the year was 6.0p (2018/19: 22.0p), with adjusted basic EPS of 16.7p (2018/19: 32.9p). Diluted EPS was 6.0p (2018/19: 21.8p) and adjusted diluted EPS was 16.6p (2018/19: 32.6p).

Our 2020 performance: CFO's review continued

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 2019/20, the impact of foreign exchange movements in the year was £3.7m favourable in revenue and £0.8m favourable in adjusted operating profit, after the impact of hedging.

Cash flow and net cash

| | 2019/20 £m | 2018/19 £m |
|---|---------------|---------------|
| Operating cash flows before working capital | 61.4 | 88.2 |
| Change in working capital | 4.0 | (4.5) |
| Cash generated from operations | 65.4 | 83.7 |
| Income taxes paid | (2.4) | (13.5) |
| Net cash inflow from operating activities | 63.0 | 70.2 |
| Cash outflow from investing activities | (148.1) | (49.9) |
| Cash inflow from financing activities | 184.6 | (24.7) |
| Increase/(decrease) in cash and cash equivalents | 99.5 | (4.4) |
| Cash and cash equivalents at beginning of year | 87.1 | 90.2 |
| Effect of foreign exchange rates | 0.7 | 1.3 |
| Cash and cash equivalents at end of the year | 187.3 | 87.1 |
| Free Cash Flow* | 19.0 | 34.3 |

* Free Cash Flow comprises net cash generated from operating activities less net capital expenditure, cash flows relating to committed capital expenditure and outflows in respect of lease obligations

Despite the impact of COVID-19, the Group remained cash generative at the operating level, although the decline in operating profit in the second half of the year meant that cash inflows from operating activities declined to £63.0m (2018/19: £70.2m), after a working capital inflow of £4.0m, where the Expedeon Acquisition was a contributory factor. After taxes paid, net capital expenditure and cash flows relating to committed capital expenditure, Free Cash Flow was £19.0m (2018/19: £34.3m).

Cash outflows on investing activities were £148.1m (2018/19: £49.9m), predominantly comprising payments for acquisitions and investments of £112.5m (2018/19: £14.6m), in particular the purchase of Expedeon in January 2020 for £104.2m, and net capital expenditure of £36.3m (2018/19: £35.9m). Major areas of capital expenditure included £7.0m in respect of laboratory equipment to support the Group's growth plans, £4.0m on cell lines (primarily in respect of the cell line and lysates portfolio acquired from EdiGene in July 2019) and £23.0m on intangible assets (2018/19: £22.7m). Intangible assets comprised £11.6m in respect of our ERP implementation project and £9.0m of internally developed technology relating to new in-house products.

Cash inflows from financing activities totalled £184.6m (2018/19: outflow of £24.7m). This figure was driven mainly by the net draw down of £107.0m on the Group's revolving credit facility together with the receipt of £110.0m from the placing of 10 million new ordinary shares in April 2020, offset by £25.0m of dividend payments, and £1.7m of interest paid (including £0.9m in respect of the interest element of lease obligations settled).

The Group ended the year with a net cash position of £80.9m (2018/19: £87.1m).

Balance sheet

Key elements of change in the balance sheet during the year comprised the following:

Goodwill and Intangibles

Goodwill increased £71.9m to £192.8m (2019: £120.9m), with £61.7m relating to the Expedeon Acquisition. Other acquisitions included Marker Gene Technologies, and the gene editing and oncology business of Applied StemCell, which together accounted for a further £4.4m.

Intangible assets increased by £47.7m to £154.4m (2019: £106.7m) where again the Expedeon Acquisition was responsible for most of the increase. A further £15.0m related to software development, of which £11.6m was in respect of the Oracle Cloud ERP system and a further £9.0m related to the additions from internal development of the Group's product range, reflective of the cash flows described above. These additions were offset by the impairment charge of £14.9m in respect of the AxiomX in Vitro monoclonal antibody production technology, amortisation charges of £15.9m and small exchange rate movements.

Property, plant and equipment

Property, plant and equipment additions of £12.5m (2018/19: £16.8m) were made in the year, which was lower than 2018/19, which included £4.9m on the new Group headquarters. Included within current year additions was spend of £7.0m (2019: £7.2m) on laboratory equipment across our sites in the United Kingdom, the United States and China. The Group invested an additional £4.2m on edited cell lines, including those purchased from EdiGene in July 2019.

Leases: Right-of-use assets

The Group adopted IFRS 16 on 1 July 2019 using the permitted transitional method whereby prior year figures have not been restated. At transition, £70.8m of assets, predominantly property and previously treated as operating leases, were brought onto the balance sheet as 'right-of-use assets' together with a similar effect on liabilities resulting in a net decrease on the balance sheet of £1.5m. During the year a further £58.7m of assets were added as the Group transforms its property footprint in the United States, resulting in a net book value at 30 June 2020 of £121.4m. As at 30 June 2020, the outstanding balance sheet liability in respect of the right-of-use assets was £127.8m.

Borrowings

The Group's three-year revolving credit facility, which was entered into in February 2019, was drawn down by €120m during the year in order to fund the Expedeon Acquisition. Subsequent to the acquisition, the Group paid down part of this borrowing, before drawing down again in March 2020 following the escalation of the COVID-19 pandemic, in order to provide operational flexibility. The balance outstanding at 30 June 2020 was £107m, leaving £93m still undrawn, as well as an accordion option of up to £100m.

Dividend

The Board declared an interim dividend of 3.55 pence per share (2018/19: 3.55p) in March, which was paid to shareholders on 17 April 2020.

Following the interim results, the Group consulted with its major shareholders with regards to its dividend policy. As stated at that time, the Board sees significant opportunities for further profitable growth and attractive returns on investment and believes that the best way to maximise shareholder value over the long-term is to increase the Group's flexibility to invest in those opportunities as they arise. This view was endorsed by a significant majority of the Group's major shareholders and accordingly, the Board has decided not to declare a final dividend. The Board will continue to review the Group's capital allocation and dividend policy on an ongoing basis, with future distributions reflecting the Group's cash generation and capital needs.

Update on potential US secondary listing

To further support the Group's plans, in July 2020, the Board announced its intention to explore a secondary listing in the United States. Further to subsequent discussions and analysis, the Board has concluded to pursue a proposed secondary listing on Nasdaq, supplementing the Group's existing listing on AIM. The proposed listing is expected to occur in the final calendar quarter of 2020, subject to market and other conditions.

Ongoing impact of COVID-19 and current trading

Scientists around the world continue to adapt their working conditions and the improving trend of activity we saw during the later stages of 2019/20 has continued into the new fiscal year.

Nevertheless, given the clear risk around further outbreaks and the potential for the re-introduction of more stringent lock-down measures, we are not providing full year guidance at this time.

Summary & long-term outlook

In 2019/20 the Group embarked on its new long-term growth plan, focused on investing across a range of initiatives to support the sustained growth of the business over the next five years and well beyond. These plans included an ambition to achieve revenue of £450–500m an adjusted operating profit margin of over 30%, and a Return on Capital Employed of over 18% by 2023/24. Undoubtedly, COVID-19 has brought in a level of uncertainty with respect to the near-term outlook, however we remain committed to the strategic investment plan we laid out in September 2019 and focused on achieving those financial goals.

We have made good progress in many areas during the year, and whilst the short-term returns on our core business have inevitably been reduced by both COVID-19 and these investments, I am confident in the potential return these investments will generate over the medium and long term, as we continue to build our business, serve our customers and increase our impact.



Michael Baldock
Chief Financial Officer
12 September 2020

Our key performance indicators

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.

Strategic performance measures

2020 Performance

Description

Why this metric is important

How we performed

Alignment to strategic priorities

Link to management remuneration

Related material

Revenue growth from in-house products (CER)

6.2%

2020 Target: 12-15%

Constant currency revenue growth of our in-house (catalogue) products published.

There are approximately 24,000 in-house products published on our catalogue.

Innovating new, high quality products and growing our in-house product portfolio is fundamental to our long-term growth strategy.

Whilst our outturn was below our target of 12-15%, this was a resilient performance in view of the disruption caused by COVID-19 in the year.

1-6

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

Our strategy (pages 22 to 26)
Our impact (pages 27 to 38)

Transactional Net Promoter Score (tNPS)

+56

2020 Target: 54-60

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.

Allows us to monitor customer satisfaction on a timely basis, helping to determine the likelihood of consumers recommending Abcam to a colleague.

We achieved a 12-month tNPS score of 56% in the year, within the target range.

1-5

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

Our strategy (pages 22 to 26)
Our impact (pages 27 to 38)

Financial performance measures

2020 Performance

Description

Why this metric is important

How we performed

Alignment to strategic priorities

Link to management remuneration

Related material

Total CER revenue growth

(1.4)%

2018/19: 9.2%
2017/18: 10.7%

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.

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.

As a result of the impact of COVID-19, total revenues declined slightly on a constant currency basis.

1-6

Yes. Performance against the Group's strategic KPIs determines part of management's LTIP payout.

CEO's report
Our strategy
Our performance

Gross Margin

69.3%

2018/19: 70.5%
2017/18: 69.9%

Gross margin is calculated by dividing total gross profit achieved by total sales.

Gross margin is a key metric for monitoring the Group's earnings quality and potential.

As a result of the impact of COVID-19, gross margin declined modestly.

1-3, 5-6

No

Our performance

Our key performance indicators continued

Financial performance measures (cont'd)

2020 Performance

Description

Why this metric is important

How we performed

Alignment to strategic priorities

Link to management remuneration

Related material

Adjusted Operating Profit

£44.5m

2018/19: £83.6m
2017/18: £81.3m

Operating Profit based on the related IFRS measure but excluding adjusting items (see note 7 of the consolidated financial statements for more information).

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

As a result of the impact of COVID-19 and the Group's long-term investment plans, Adjusted Operating Profit declined in the year to £44.5m, representing an adjusted operating margin of 17.1%.

3-6

No

Our performance

Return on Capital Employed

6.8%

2018/19: 20.8%
2017/18: 22.2%

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.

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.

ROCE reduced due to the impact of COVID-19, the Group's long-term investment plans, and increase in the asset base.

1-6

No

Our performance

Free Cash Flow

£19.0m

2018/19: £34.3m
2017/18: £26.8m

Free cash flow comprises net cash generated from operating activities less net capital expenditure and transfer of cash from/(to) escrow in respect of future capital expenditure.

The Board considers this measurement important for providing an indication of the amount of cash available for discretionary growth investment after removing capital related items.

Free cash flow declined from 2018/19 levels but remained positive, reflecting the lower operating profits and continued capital investment to support our growth plans.

3-6

No

Our performance

Adjusted diluted EPS

16.6p

2018/19: 32.9p
2017/18: 32.7p

Adjusted diluted earnings per share (EPS) is calculated by dividing the Group's profit after tax, after adjusting items, by the weighted average number of ordinary shares in issue, including those shares that may be awarded under future share option and awards.

The Board considers this measurement an important indicator of the underlying profits generated for shareholders.

Adjusted EPS declined from 2018/19 levels, reflecting the impact of COVID-19 and the Group's long-term investment plans which are suppressing short-term profitability.

3-6

Yes, Adjusted EPS performance determines part of management's LTIP payout.

Our performance



Further details can be found in our CFO's review, pages 40 to 55.

Our key performance indicators continued

Sustainability performance measures

Description

Why this metric is important to growing our impact

Customer tNPS

Products*

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.

Maintaining high customer satisfaction rates is fundamental to our ability to grow our customer base, our influence within the scientific community and our wider social impact.

In-house product revenue as % of total catalogue

Products*

The proportion of revenue generated by products developed and manufactured internally.

The success of our customers' work, from basic research to translational science, diagnostics and therapeutic clinical programmes, relies on rigorous product quality, performance and reliability.

Product satisfaction rate (12-month rolling)

Products*

The product satisfaction rate is calculated by subtracting the % of products on which issues are raised (the complaint rate), from 100%.

The quality of our products, reflected in the product satisfaction rate, is a critical aspect in our ability to support scientific research.

Days lost to H&S

People*

This is the number of days of lost work due to health and safety incidents globally.

Providing a safe and secure work environment is a foundational principle of our business.

Number of products validated for third-party platforms/diagnostic use ('Abcam Inside')

Partners*

The total number of our antibody clones used by our partner platforms, including research platforms, diagnostic and companion diagnostics.

Extending the use of our products through collaboration and partnership helps to increase our impact and supports faster scientific progress.

OEM Suppliers signed up to our Code of Conduct, %

Partners*

A measurement of the % of suppliers that have signed our code of conduct.

Upholding our ethical standards across our value chain is vital to maintaining sustainable business practices.

Carbon emissions, tCO₂e (Scope 1 & 2)

Planet*

Scope 1 and Scope 2 carbon emissions, covering global vehicle use and purchased electricity.

Taking climate action is vital in reducing our negative impact on the environment.

Waste to landfill, metric tonnes

Planet*

The amount of waste sent to landfill across our global operations in the year.

Reducing the amount of waste we send to landfill is important.

* Impact area

2019/20 Performance

How we performed

| | |
|---|---|
| <p>+56</p> <p>2018/19: +59 2017/18: +65</p> | <p>We achieved a 12-month tNPS score of 56% in the year, within our target range of 54–60%.</p> |
| <p>42.4%</p> <p>2018/19: 44.2% 2017/18: 47.4%</p> | <p>The proportion of in-house product rose to over 47% of total catalogue sales, a new record.</p> |
| <p>98.68%</p> <p>2018/19: 98.41% 2017/18: 98.24%</p> | <p>Our product satisfaction rate increased to 98.68%, a new record high.</p> |
| <p>2</p> <p>2018/19: 5 2017/18: 3</p> | <p>The number of days lost to health and safety incidents remained low, at two.</p> |
| <p>459</p> <p>2018/19: 137</p> | <p>We grew the number of clones used by our partners significantly in the year.</p> |
| <p>98.30%</p> <p>2018/19: 60.20%</p> | <p>We made significant progress toward our goal of 100% compliance.</p> <p>In 2021 we plan to use a third party to undertake an assessment of all suppliers to evaluate their sustainability ratings.</p> |
| <p>4,752 tCO₂e</p> | <p>This was the first year reporting and forms the baseline from which we will compare our activity going forward, with an ambition to reduce our carbon footprint.</p> |
| <p>77.5 tonnes</p> | <p>This was the first year reporting and forms the baseline from which we will compare our activity going forward, with an ambition to eliminate waste sent to landfill over time.</p> |



Further details can be found on pages 27 to 38.

Managing risk to ensure growth is sustained

Risk management is an essential part of achieving the Group's vision to be the most influential life sciences company for researchers worldwide and is crucial to ensuring that Abcam can deliver on its strategic priorities. Abcam operates a risk management process that is effective and aligns with its Dedicated, Agile and Audacious organisational culture.

The Group continuously improves and evolves its risk management framework, policies and procedures in order to identify, prevent and mitigate risks in the execution of 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 tolerance to risk.

The Board has overall responsibility for Abcam's approach to risk management. 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 mitigating actions.

Risk management process

Identify risks →

- The Board identifies Abcam's principal and emerging risks and threats, including a detailed review annually.
- Quarterly conversations are held with each business function to identify and assess risks and issues.
- The most significant risks are scored and escalated to the consolidated risk register.

Set risk appetite →

- The Board has defined a set of risk appetite statements which describe the types and amount of risk the Board are willing to tolerate in achieving Abcam's strategy and objectives.
- The risk appetite statements are shared with senior management, who control risks and make strategic decisions based on the Board appetite.

Mitigate risks →

- Each business function implements policies and controls to manage their risk appropriately and to ensure risks are reduced to an acceptable level.
- A key financial controls framework is in place and certified by control owners annually.

Risk assurance →

- The Group Finance function facilitates the risk management process and provides guidance and oversight.
- Independent assurance is obtained through the Group's internal audit function which reviews key areas of risk and the operation of controls.
- Specialist third parties are engaged to review specific areas of risk as necessary.

Risk reporting →

- The status of significant and emerging risks is reported to each meeting of the Audit and Risk Committee (ARC).
- The ARC reviews the outputs from internal audit and other information on the operation of controls.
- Abcam maintains open communication with employees, ensuring top-down and bottom-up communication of risks and issues.

Enhancements to the framework in the year

- The Board undertook a detailed review of principal and emerging risks, ensuring they remain relevant and up-to-date.
- The Board expanded and further quantified the definition of Abcam's risk appetite (i.e. to what degree the Board are prepared to tolerate risk), enhancing its understandability and effectiveness.
- Increased Abcam's risk management awareness, participation and engagement by empowering a set of 'risk owners' within each function.
- Commenced the implementation of an in-house internal audit function and increased linkage between internal audit and risk functions.
- Further developed the maturity of risk management processes and reporting.

Further information on the Audit and Risk Committee, and how it has discharged its responsibilities in relation to risk management throughout the year can be found on pages 75 to 79.

Principal risks




During the year, the Board carried out a robust assessment of the emerging and principal risks facing the Company, including risks that would threaten Abcam's business model, solvency or liquidity and reputation. Although the nature of the risks to which Abcam is exposed have not changed substantially, the assessment resulted in some revision to how the principal risks are grouped and expressed.

The principal risks are set out below, along with the Group's tolerance to that risk, how the risk is managed or mitigated, and a summary of and our assessment of emerging threats in each area. The ordering of the risks reflects the Board's view on their significance in achieving Abcam's strategy and objectives as set out on pages 22 to 26.

Continued disruption as a result of the ongoing COVID-19 pandemic is not considered an additional risk specific to Abcam, and its impacts are contained within the existing risks as set out. It is not, therefore, considered as a principal risk in its own right.

Further information on the Group's financial risk management activities can be found in note 26 to the financial statements.

Table of principal risks


-  Increased risk
-  Stable
-  Decreased risk

Strategic risk

| | |
|---|---|
| Competition and customer | 1 |
| Change in year |  |
| <p>The risk that competitors introduce new technologies, channels or workarounds to respond better to rapidly evolving scientific and technological developments; or The risk that Abcam fails to understand and respond to changing consumer needs, strengthen product offerings and routes to market as well as our competitors.</p> | |
| <p>Tolerance to risk</p> <ul style="list-style-type: none"> - Abcam is open to a higher level of competitive risk in order to achieve the Group's vision to be the most influential life sciences company for researchers worldwide. | |
| <p>How the risk is managed</p> <ul style="list-style-type: none"> - Continuously improve the quality, reliability and range of products and services offered, striving to be a trusted partner to life scientists. - Abcam is dedicated to understanding the requirements of customers. As such, customer feedback is monitored constantly to ensure expert customer service and scientific support is provided. - Innovation and investment in new and potentially disruptive technologies as appropriate in line with strategy. | |
| <p>Emerging threats</p> <ul style="list-style-type: none"> - The competitive environment is continually changing; It is anticipated that the level of competitive risk will continue to be significant. | |
| <p>Link to strategy</p> <ul style="list-style-type: none"> - Sustain antibody and digital marketing leadership. - Drive continued expansion into complementary market adjacencies. - Build organisational scalability and sustain value creation. | |

Strategic risk

Acquisitions and integrations 2

Change in year 

Risks include overvaluation of targets, failing to identify issues or risks in due diligence or failing to integrate acquired operations or technologies effectively in order to realise the benefits.

There is also a risk of failure to identify and acquire businesses which could bring added value.

Tolerance to risk

- Abcam only has appetite for acquisitions that are compatible with the strategic goals of the company.

How the risk is managed

- The Group's experienced in-house Corporate Development team oversee all acquisition and integration activities.
- External advisors are engaged as necessary.
- A rigorous due diligence process is always conducted to ensure Abcam fully evaluates the costs and benefits expected to accrue before any business purchase.
- The Board reviews and challenges the rationale and business case for any acquisition, challenging key assumptions. A separate investment committee also reviews all acquisition cases up to a certain threshold.
- Higher levels of capital are available to be committed for the right strategic investment opportunities.
- A detailed integration plan and dedicated integration teams are put in place prior to acquisition. Progress against the plan is tracked to ensure an effective process.

Emerging threats


- Increased frequency, scale and diversity of acquisitions results in management of integrations becoming more complex.

Link to strategy

- Drive continued expansion into complementary market adjacencies.
- Build organisational scalability and sustain value creation.

Operational risk

People and resources 3

Change in year 

The risk of failure to recruit and develop people at the right rate to support Abcam's strategy, failing to maintain an engaged and motivated workforce or to provide the tools and resources for employees to do their work effectively.

Tolerance to risk

- The Group has a lower level of tolerance to this risk.

How the risk is managed

- Ensuring sufficient investment in attracting and retaining high quality personnel by providing employees with a rewarding package of salary and benefits, including the award-winning 'AbShare' share ownership plan.
- Maintaining a high level of employee satisfaction and engagement by investing in appropriate quality resources and infrastructure to support the staff and efficient working practices. This includes focus on providing learning and development opportunities, training and career paths to enable people to fulfil their potential.
- Investment in custom built premises across the globe to ensure they are fit to support current operations and growth plans.
- Regular monitoring of employee satisfaction and engagement to ensure Abcam remains an exceptional place to work.

Emerging threats

- As Abcam continues to strive for rapid growth, the need to attract, retain and develop the right people will increase.

Link to strategy

- Sustain antibody and digital marketing leadership.
- Drive continued expansion into complementary market adjacencies.
- Build organisational scalability and sustain value creation.

Table of principal risks

- ↗ Increased risk
 → Stable
 ↘ Decreased risk

Strategic risk

Transformation projects 4

Change in year ↘

The risk of failure to deliver on Abcam's transformational growth projects, including our ongoing ERP implementation and reinvention of the digital channel.

Tolerance to risk

- A moderate tolerance to this risk, but no appetite for investment that does not have an appropriate business case and full oversight.

How the risk is managed

- A 'Strategic Programmes Office' has been created to oversee and ensure effective management of the various transformation projects.
- Abcam is investing what is required to ensure the Group maintains an exceptional public website and digital experience.
- The ERP transformation programme continues with a dedicated team including internal subject matter experts and highly experienced external consultants.
- The project is being supported by an effective governance structure and senior leadership in place to oversee delivery.
- The Group is working closely with an experienced third-party systems implementation partner to ensure we implement best-in-class systems and processes.

Emerging threats

- Customers' increasing expectations with regard to their digital experience, and the pace and complexity of Abcam's growth, mean that this risk will continue to be important.

Link to strategy

- Sustain antibody and digital marketing leadership.
- Drive continued expansion into complementary market adjacencies.
- Build organisational scalability and sustain value creation.

Operational risk

Cyber security and IT infrastructure 5

Change in year ↗

The risk that Abcam fails to operate IT systems, software and hardware that are sufficiently effective, reliable and robust to support the business in its operations, or that Abcam's critical IT infrastructure is compromised or subject to cyber attack.

Tolerance to risk

- No appetite for loss of data, for any breaches of laws related to cyber-security, or for anything more than infrequent and modest downtime of the website, so that high levels of service and trust with customers can be maintained.

How the risk is managed

- The Group has a dedicated cyber security function, supported by outsourced service providers, which is working to ensure that Abcam has the necessary systems, processes and governance to mitigate key cyber security risks.
- Training and awareness campaigns are carried out to ensure employees know how to identify and deal with cyber security threats.
- Appropriate physical and software safeguards are implemented, including maintaining latest patch levels, software versions and firmware updates, external firewall and advanced anti-virus protection.
- Security threats and attacks are actively monitored in real time and protection increased in line with additional demands to do so.
- Investment in IT infrastructure, systems and processes globally so that employees are able to carry out their responsibilities effectively and securely.

Emerging threats

- The volume and variety of cyber threats continues to evolve globally.
- The COVID-19 environment has led to a significant increase in the number of attacks being attempted against companies worldwide.

Link to strategy

- Sustain antibody and digital marketing leadership.
- Build organisational scalability and sustain value creation.

Strategic risk

Geopolitical/economic disruption and research funding 6

Change in year →

The risk of unfavourable geopolitical or economic changes, including the risk of a substantial reduction in funding for life sciences research in one of Abcam's significant territories.

Tolerance to risk

- A moderate tolerance to this risk, accepting that as a large multi-national business, such risks are not all in the Group's control and therefore a willingness to accept that such risks cannot be fully eliminated.

How the risk is managed

- By proactive monitoring of potentially disruptive events such as the geopolitical, economic and research funding environment and consideration of the impact on our strategy and making relevant required changes to Abcam's policies, footprint and business processes in a timely manner.
- Continued geographic penetration to diversify revenues from any single government funding source and to avoid over-concentration in any particular region.
- Diversification of the range of products and services offered, for example "Abcam Inside" expanding reach outside of academic markets.

Emerging threats

- Although there is an increasing recognition of the value of scientific research in the aftermath of the COVID-19 pandemic and therefore a positive outlook for life sciences funding, the fact remains that there is a global economic recession as a result of COVID-19 which will require close monitoring to ensure that Abcam's sales strategy is targeted to the relevant areas where research funding is being invested.

Link to strategy

- Sustain antibody and digital marketing leadership.
- Drive continued expansion into complementary market adjacencies.
- Build organisational scalability and sustain value creation.

Operational risk

Business continuity 7

Change in year ↗

The risk that a disruptive event or disaster occurs at a key facility, impacting our ability to serve customers.

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

Tolerance to risk

- A lower tolerance to this risk where focus is to ensure sufficient investment in business continuity management to react to anything other than planned shutdowns in logistics, distribution or production facilities.

How the risk is managed

- Plans are to always have back-up sources or pathways which can be used in a timely manner to continue to deliver high levels of customer service.
- Geographic diversification of manufacturing and logistics/warehousing facilities, and flexibility of operations, means that we can continue to serve customers if a particular office or site is disrupted.
- Diversification of supplier for OEM product and critical manufacturing materials, avoiding over-reliance on any particular third party.
- Environmental, Health and Safety policies and procedures are in place and adhered to, supported by routine internal checks.
- Strict inbound quality control and quarantine procedures.




Emerging threats

- Business continuity threats arising from the external environment are inherently unpredictable, however Abcam's response to the COVID-19 pandemic has demonstrated the ability to respond to a major crisis effectively.

Link to strategy


- Sustain antibody and digital marketing leadership.
- Build organisational scalability and sustain value creation.

Table of principal risks

-  Increased risk
-  Stable
-  Decreased risk

Compliance risk

Laws, regulations, legislation and compliance 8

Change in year 

Failure to comply with legislation and regulation in the markets and countries in which Abcam operates.

Tolerance to risk

- No appetite for non-compliance with established laws or regulations in countries where the Group operates.

How the risk is managed

- To proactively monitor changes in regulations and legislation, including those relating to taxes and tariffs and ensure that all obligations are complied with and forthcoming legislation is appropriately planned for.
- Senior management monitors changes to laws and regulations and oversees actions to ensure compliance, supported by the Legal department.
- The Group ensures that employees understand legal risks and how to comply via anti-bribery and corruption training for all staff, reinforced by our Code of Conduct.
- Targeted internal and external audit reviews are undertaken to ensure policies and training are embedded.
- External advice is taken for new or emerging legislation or for where capabilities are not available in-house.

Emerging threats


- Changes to import/export regulations as a result of Brexit and the similar issues arising from the frequently changing political landscape in the US and China.
- Changes to regulation in China concerning the development of intellectual property.

Link to strategy

- Sustain antibody and digital marketing leadership.
- Drive continued expansion into complementary market adjacencies.
- Build organisational scalability and sustain value creation.

Reputational risk

Ethical business and CSR 9

Change in year 

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

Tolerance to risk

- Low appetite for risks that could lead to damage to reputation or loss of trust of customers or other stakeholders. To ensure Abcam acts as a responsible business within the communities and environments in which it operates, and meets high ethical standards.

How the risk is managed

- Codes of Conduct in place for employees, suppliers and distributors are intended to ensure everyone representing Abcam acts ethically and responsibly.
- Feedback from stakeholders is monitored and responded to, for example through monthly employee pulse surveys, customer transactional Net Promoter Score (tNPS), customer feedback and any complaints.
- Continued drive for improved product quality, including formalised quality management systems and product testing using knockout validation.
- Supplier qualification procedures to ensure high ethical standards are adhered to within the supply chain.
- The section 'Our value creation model' on page 14 sets out the Group's work on Sustainability, Ethical business and CSR.)

Emerging threats

- The expected standards of corporate social responsibility demanded by customers, other stakeholders and the general public continue to increase – for example, in relation to sustainability and climate change.

Link to strategy

- Sustain antibody and digital marketing leadership.

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 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. The COVID-19 pandemic is not expected to impact the longer-term viability of the Group.

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.

Section 172(1) statement and statement of engagement with employees, shareholders and other stakeholders

In accordance with the Companies Act 2006 (the Act) as amended by the Companies (Miscellaneous Reporting) Regulations 2018, the Directors provide this statement to describe how they have engaged with and had regard to the interests of our key stakeholders when performing their duty to promote the success of the Company, under section 172 of the Act. The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172 of the Companies Act 2006) in the decisions taken during the year ended 30 June 2020.

Given the importance of our stakeholders and the impact they have on our strategy, reputation and the Company's long-term success, consideration has been given to them throughout the FY 2019/20 Annual Report and the table below identifies where they are discussed.

| Section 172 responsibility | Where you can read more |
|---|---|
| (a) The likely consequences of any decision in the long term | Pages 4 to 38 |
| (b) The interests of the Company's employees | Pages 6, 32 to 34, 60 and 71 |
| (c) The need to foster the Company's business relationships with suppliers, customers and others | Pages 6, 25, 35, 59 and 61 |
| (d) The impact of the Company's operations on the community and the environment | Pages 6, 36 to 37 and 61 |
| (e) The desirability of the Company maintaining a reputation for high standards of business conduct | Pages 6, 7 to 9, 15 and 30 to 31 |
| (f) The need to act fairly as between members of the Company | Pages 62 and 71 to 72 |

Understanding the views and values of all our stakeholders is critical to Abcam's success, and we value their broad range of perspectives. The Corporate Governance Code also highlights the importance of effective engagement with shareholders and other stakeholders. Our stakeholders include our customers, employees, partners, shareholders, and communities. Engaging with our stakeholders and the issues that matter to them allows us to take more informed decisions, and better identify the consequences of our actions on our stakeholders. The Board is mindful of all our stakeholders when making decisions of strategic importance. At every Board meeting each agenda item is specifically cross-referenced to all relevant responsibilities under section 172 and also to our key risks. The Board recognises that each decision made will not always result in a positive outcome for each of our stakeholders. However, by having good governance procedures in place for decision making, the Board aims to make sure that its decisions maintain a high standard of business conduct.

Stakeholder engagement

The following table sets out how we engage with our key stakeholders. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board.

You can read more about our stakeholders, and why they matter to our business on pages 16 to 17.

Our customers

What has mattered to them this year?

Consistency of product quality and performance, service and delivery, breadth of product line, price, customer support, online capabilities and the ability to meet the special and local needs of our customers.

Researchers want access to high quality products with detailed and reliable data that ensure their experiments are conclusive, consistent and repeatable.

Biopharma organisations want secure access to the best molecule to achieve their diagnostic or therapeutic objectives.

With the impact of COVID-19 leading to the shut-down and subsequent reopening of laboratories and reduced activity, researchers want to be able to access the products they need on the timescales they need to recommence their research.

We have a number of customers who are directly engaged in the effort to develop diagnostic tests, vaccines and treatments for COVID-19.

Our response

You can read about how we engage with customers and are improving our product offering in the 'Our Impact' section on pages 27 to 38. Progress in 2019/20 included:

- innovating and improving the tools, data and experience our customers need;
- expanding our range of high-quality in-house products;
- investing in our customer service and scientific support teams who provide advice, guidance and support for customers;
- engaging with customers to obtain close to real-time feedback on our performance through the use of surveys and focus groups; and
- expanding through acquisition to add complementary and adjacent technologies to enhance our offering.

We have also prioritised actions to support COVID-19 focused work including:

- offering a range of COVID-19 related research tools;
- reassigning R&D resources to developing critical SARS-Cov-2/COVID-19 related products;
- boosting our supply chain and manufacturing flexibility to support increased demand for existing products used for SARS-Cov-2/COVID-19 research;
- joining more than 30 collaborations across the UK, US, and China focused on SARS-Cov-2 diagnostic, drug and vaccine development;
- maintaining onsite operational teams to allow us to continue to serve customer orders; and
- maintaining customer and scientific support at full capacity, while increasing our level of online support.



See page 16.

Our employees

What has mattered to them this year?

Our employees want a great career, and a positive and motivating work environment where they can thrive, all underpinned by a supportive culture.

There has been an inevitable focus this year on the working environment and health and safety in light of COVID-19 and the changes to working arrangements that has necessitated.

We have also seen increased conversations around diversity in the workplace in all its forms, including gender, race and ability.

Our response

You can read about how we engage with employees in the 'Our Impact' section on pages 27 to 38 and also in the 'Key Board activities' section on pages 71 and 72. Progress in 2019/20 included:

- continuing to focus on developing a purpose and culture that inspires and motivates all employees, encouraging open, frequent dialogue;
- continuing to create a more inclusive environment, which is vital to realise the full potential of diversity in our workforce. launching new Employee Resource Groups, enhancing our family leave policy and we will be linking an element of management compensation to improving management diversity and further improving our inclusion agenda;
- introducing more frequent 'pulse' surveys for our employees to provide more timely and actionable data and insights;
- investing in our team through numerous development programmes that build the skills needed to set them up for success. In 2020, we once again achieved record levels of training and development for our colleagues, including a significant expansion of our 'Performance with Purpose' coaching programme;
- all permanent employees are eligible to participate in 'AbShare', an innovative share plan which provides the opportunity for employees to build a meaningful stake in the Company over the lifetime of the plan, assuming certain performance conditions are met; and
- offering 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.

We have also taken actions to support our employees in light of COVID-19 including:

- all colleagues have been supported with full employment during the COVID-19 outbreak, with no employees furloughed;
- changing our policies, notably our leave policy to ensure that staff did not lose holiday time and that our business could manage the resourcing demands placed upon it;
- providing regular communication to our employees around the world, via emails, internal intranet and video conferences, ensuring that every staff member was kept updated with relevant information and had regular contact with their line manager or team;
- our HR team have worked to support all employees, using a range of external resources, toolkits and guides for remote working and those with caring responsibilities in the home; and
- creating a bespoke COVID-19 response plan for each region and office independently. Each location had oversight of its own policy response to ensure it could do what was right and safe for our people aligned with relevant governmental policy.



See page 16.

Our partners

What has mattered to them this year?

Our partners want us to be trustworthy and live up to our promises, building long-term mutually beneficial relationships.

Maintain our product and ethical standards across our supply chain.

Our response

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.

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

We are committed to high ethical business practices and standards of integrity across our supply chain. Our suppliers must respect animal welfare and maintain healthy and humane practices. We have high ethical standards in our sourcing activities and decisions, and actively promote ways to replace animals entirely by alternative means, reduce the numbers of animals used or refine procedures to minimise distress. This includes a commitment to the continued growth of our recombinant antibody portfolio and the removal of all ascites-produced antibodies.

Suppliers of material derived from humans must comply with applicable laws and regulations regarding the procurement, use and storage of human tissues, and must have been sourced with full prior informed consent and without financial reward.

We maintain an ethics hotline, Speak Up, in cooperation with EthicsPoint, which can be used to report any violations of the Abcam's Code of Conduct.



See page 17.

Our communities

What has mattered to them this year?

Beyond generating a positive impact on science and ultimately health and well-being, communities want us act responsibly, reduce environmental impact and help their communities thrive.

Our response

Our sustainability and growth objectives are intrinsically linked. Our impact flows from our vision and purpose, which ultimately lead to a positive impact on the world: helping the scientific community make even greater breakthroughs in human healthcare, faster. The more successful we can be as a business, therefore, the greater the difference we can make in the world. That extends too, to doing business the right way.

Beyond the positive social impact we seek to create, we are committed to sustainable practices in the communities in which we operate. We continue to look at ways to reduce our environmental impact and improve resource efficiency. You can read more about our commitments and actions in this area on pages 36 and 37.

We have a proud history of involvement with charities and organisations within our communities through which we seek to champion life science research and support local causes. This work includes a commitment to supporting the next generation of scientists by promoting access to STEM careers. You can read more about our commitments and actions in this area on page 34. Further information is available through our website, www.abcampc.com/sustainability.



See page 17.

Our shareholders

What has mattered to them this year?

Having launched a new five-year plan and growth strategy in September 2019, a major focus of discussions with shareholders during the year has been to understand our long-term strategy, including our investment plans, our business model and drivers of growth, expected financial returns and how we plan to sustain value creation.

Other major areas that have been raised by shareholders include:

- The impact of COVID-19 on our business and how we have responded
- Corporate governance topics, including Board composition, management succession and remuneration
- Sustainability and ESG matters, including climate change
- Capital structure and capital allocation, including the Group's approach to M&A, the dividend policy and the equity raise
- The Group's potential US listing

Our response

As detailed in the Governance section on pages 71 and 72, the Board is committed to maintaining an appropriate level of communication with shareholders. The Executive Directors and Vice President of Investor Relations are available throughout the year for investor meetings, and work with advisors to give investors the opportunity to engage with management at a range of forums, the most important being the year end and interim results presentations.

In November, we hosted a Capital Markets Event at our new headquarters in Cambridge. The aim was to provide more detail of its five-year investment strategy and the business, with a wide range of sector managers presenting, and tours of the laboratories provided. Presentations of the event are available on our website.

During the year, we also undertook consultations with our major shareholders with regards to capital allocation and dividend policy as well as the potential US listing.

Finally, in the second half of the year we conducted a Sustainability review, in order to better understand our impact and prioritise areas of action. This work will be used to improve our ESG disclosure in future, in response to shareholder feedback.

Our website (www.abcampc.com) includes all of our regulatory announcements, financial results and news stories. Our ESG policies and disclosures can be found on www.abcampc.com/sustainability.

Timeline of major activity in 2019/20:

July

- Trading Statement

September

- Year end results presentation
- Roadshow (London, Edinburgh, New York, Baltimore, Boston)

November

- Capital Markets Event, Cambridge
- Annual General Shareholder Meeting, Cambridge
- Investor Healthcare Conference, London

January

- Trading Statement
- Investor Healthcare Conference, San Francisco

March

- Interim results presentation
- Results roadshow (London, Edinburgh, virtual)

April

- COVID-19 update



See page 17.

Corporate governance

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

Corporate governance

- 64 Chairman's introduction to governance
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- 94 Directors' Report

I am pleased to present the Corporate Governance Report for the year ended 30 June 2020, which includes details about the Board and an explanation of our individual roles and responsibilities. We also summarise the activities of the Board, and the Chair of each Board Committee discusses the activities of that Committee during the past year to illustrate how we have discharged our responsibilities to all stakeholders this year – driving the culture of good governance and integrity that is pervasive across the business necessary to achieve Abcam's strategic goals.

The UK Corporate Governance Code

It has been an important year for the Board, we have been mindful of the new requirements of the 2018 Corporate Governance Code (the Code) and the FRC's Guidance on Board Effectiveness and as a Board we continue to keep under review implementation of best practice processes. Although as an AIM-traded company we are not required to comply with the Code, the Board believes that robust corporate governance is vital to maintaining the long-term sustainable performance and growth of our business and feel that applying the Code continues to be appropriate given Abcam's market capitalisation.

The principles of the Code, and their supporting provisions, cover five broad areas and the Board is responsible for overseeing Abcam's measures for compliance with the Code. You can find further detail on the areas covered by the Code in the following sections of this Governance report, with additional information contained in the Strategic report:

Board leadership and company purpose – pages 66 to 70;
Division of responsibilities – pages 66 and 67;
Composition, succession and evaluation – page 68 to 70 and 73 and 74;
Audit, risk and internal control – pages 75 to 79;
Remuneration – pages 80 to 93.

I am happy to report that this year we have complied with all the principles of the Code and all of the provisions save for provisions 24 and 36. More details can be found in our Statement on Corporate Governance in the Directors' Report on page 96. In accordance with AIM Rule 26, you can also find details of our compliance with the Code and our explanations for any non-compliance at www.abcamplc.com.

Purpose and culture

This year, following feedback from stakeholders, we have provided greater detail in our Strategic Report on how Abcam's purpose and culture helps to deliver sustainable value creation for all stakeholders. How we achieve our purpose through our products, our people, and our partners underpins our sustainable value creation and drives our culture. More details can be found in our Strategic Report on pages 4 to 38.

Section 172

The Board welcomes the new reporting requirement to help shareholders better understand how we have operated to promote the success of the Company, while having regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The Board, advised by the Company Secretary is, mindful of its section 172 duty when considering any decisions and the impact those decisions may have upon all stakeholders. Abcam's principal stakeholders and the impact we have upon them, including details of how we have engaged with our employees throughout the year, is discussed at pages 58 to 62 and page 71.



Related content: Chief Financial Officer's Report and Financial Review – pages 40 to 51

Board changes during FY19/20

As announced last year, Sue Harris left the Board after choosing not to seek re-election at the 2019 AGM and Giles Kerr has taken over as Chair of the Audit and Risk Committee.

On 3 February 2020, Gavin Wood stood down as Chief Financial Officer and Executive Director and his role was assumed by Michael Baldock. Michael was appointed unanimously by the Board following an extensive and thorough recruitment process.

On 16 June 2020, Jonathan Milner, co-founder and Non-Executive Deputy Chairman of Abcam, informed the Board that he will not be standing for re-election at the next AGM.

As a result of these Board changes we have decided to start a search for at least one new Non-Executive Director.

Board evaluation

This year, in accordance with the requirements of the Code, we have conducted an externally facilitated review of our effectiveness as a Board. The overall findings from the review concluded that Abcam's Board, Committees and individual Directors continue to operate effectively. The Board has actively discussed the recommendations arising out of the review and a number of actions have been taken by the Board to build on the findings. Further details on the Board effectiveness review and its findings are set out on page 74.

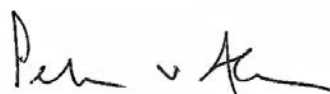
What the Board has focused on this year

Over the past year the Board has continued to focus on implementing Abcam's strategy and the measures necessary to meet our goals. This has included a focus on the key strategic acquisitions completed during the year, including the acquisition of the proteomics and immunology business of Expedeon AG, our dividend policy and the equity issue to Durable Capital Partners. The closing months of the year were inevitably focused on the outbreak of the COVID-19 pandemic. During this time we worked as a Board to ensure we were able to safeguard our employees and our business while continuing to serve our customers and the important work they are doing. We convened additional ad hoc Board meetings to receive regular detailed updates on the impact and response of the business to the COVID-19 pandemic and rapidly adopted technological solutions to allow Board meetings to take place remotely via video conference. The Board recognises its duties and responsibilities to our shareholders and other stakeholders' and I believe our response to COVID-19 demonstrates this, you can find further details on page 6.

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 our interim results in March, we consulted with our major shareholders with regards to our dividend policy, the majority of whom supported our view that the best way to maximise shareholder value over the long term is to increase our flexibility to invest in attractive growth opportunities as they arise. As was announced on 11 May, we constructively engaged with shareholders to understand their views with respect to the votes against the resolution to re-elect me at our last AGM. Following this engagement, and consistent with the Board's and Company's ongoing commitment to comply with best practise where possible, I decided to relinquish my position as a member of Abcam's Audit and Risk Committee and to step down as Chairman of the Board of Diurnal Group plc. Further detail on how we have engaged with shareholders can be found on pages 60 and 71.

The year ahead

Over the coming year, in addition to our normal duties, our focus will be on continuing to implement our strategy in a way that allows Abcam to most effectively fulfil our purpose, in particular taking into consideration the impacts and lessons learnt from the COVID-19 pandemic.



Peter Allen
Chairman

12 September 2020

Governance structure

Board

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 other stakeholders.

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. The Chairman encourages rigorous debate at Board meetings on how Abcam is meeting its agreed goals and objectives, and he ensures that the Directors receive accurate, timely and clear information.

Meet our Board of Directors on pages 68 and 69.

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 can be found on the Company's investor relations website at www.abcamplc.com. The matters reserved for the Board and the terms of reference for each of its Committees reflect the requirements of the Code.

Board meetings, information and support

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. Such ad hoc meetings were called this year to discuss the share issue to Durable Capital Partners; to monitor and discuss the impacts of the COVID-19 pandemic on the business; and to consider whether to explore a potential secondary listing in the United States. To ensure meetings could continue following the social distancing restrictions imposed by the UK government in response to the COVID-19 pandemic, from 1 April 2020 the Board has been meeting through video conferencing facilities. This has allowed Board meetings to continue to be conducted in largely the same manner as prior to imposition of social distancing restrictions, save that the Board are no longer all present in the same location.

The Chair 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 | Ad hoc Board meetings | Audit and Risk Committee | Remuneration Committee | Nomination Committee |
|------------------------------|--------------------------|-----------------------|--------------------------|------------------------|----------------------|
| Current Directors | | | | | |
| Peter Allen ¹ | 8/8 | 5/5 | 5/5 | 7/7 | 3/3 |
| Jonathan Milner | 8/8 | 5/5 | n/a | n/a | n/a |
| Louise Patten | 8/8 | 5/5 | 5/5 | 7/7 | 3/3 |
| Mara Aspinall ² | 8/8 | 5/5 | 0/0 | 7/7 | 3/3 |
| Giles Kerr ³ | 8/8 | 4/5 | 5/5 | 7/7 | 3/3 |
| Alan Hirzel | 8/8 | 4/5 | n/a | n/a | n/a |
| Michael Baldock ⁴ | 3/3 | 3/3 | n/a | n/a | n/a |
| Former Directors | | | | | |
| Sue Harris | 4/4 | 1/1 | 2/2 | 4/4 | 0/0 |
| Gavin Wood | 5/5 | 1/1 | n/a | n/a | n/a |

1 Peter Allen stood down from ARC on 2 June 2020.

2 Mara Aspinall was appointed to ARC on 2 June 2020.

3 Giles Kerr was appointed Chair of ARC on 13 November 2019.

4 Michael Baldock joined Abcam on 3 February 2020.

The Chair meets the Non-Executive Directors without the Executive Directors present, and the Non-Executive Directors, led by the Senior Independent Director, meet without the Chair present at least annually to appraise the Chair'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.

The Chair, 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. Matters to be included on the agenda for the following meeting are 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.

| | | |
|--|-------------------------------------|---|
| Chairman | Peter Allen | <p>A large part of the Chairman's role is to ensure the Board of Abcam operates effectively in directing the Company to deliver long-term sustainable performance and growth. The Chair seeks 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 judgements are made objectively. In particular, he seeks to facilitate the Non-Executive Directors providing constructive support and challenge to the executive leadership of Abcam.</p> <p>The Chair also ensures that Board members are aware of and understand the views of major shareholders and other key stakeholders and helps the CEO and Executive Leadership Team set the 'tone from the top' regarding purpose, goals, vision and values for the whole organisation.</p> |
| Senior Independent Director (SID) | Louise Patten | Acts as a sounding board for the Chair 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 Chair or Executive Directors. |
| Independent Directors | Mara Aspinall 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. |
| 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. |
| | Alan Hirzel CEO | 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. |
| | Michael Baldock CFO | Supports the CEO in developing and implementing strategy. Responsible for the financial and operational performance of the Group. |
| Committees | | The terms of reference for each of the Committees can be found at www.abcamplc.com/investors/governance/ |
| | 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 73 and 74. |
| | 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 75 to 79. |
| | Remuneration Committee | Reviews and recommends to the Board the Executive Remuneration Policy and determines the remuneration packages of the Executive Directors and the Chair. Has oversight of the remuneration packages of the Executive Leadership Team. More details on pages 80 to 93. |
| 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 video 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. |

The Board is focused on creating long-term value for our stakeholders

Peter Allen, BA ACA
Chairman



Appointed
June 2018

Background

Peter has over 20 years' experience as an executive director, non-executive director and chairman in a wide range of life science companies playing a significant role in their growth. He spent three years as Chairman of Proximagen Neurosciences plc (2009-2012), six years at ProStaken Group plc as Chairman (2007-2013) and interim CEO (2010-2011), four years as Chairman of Diurnal Group plc (2015-2020) and 12 years at Celltech Group plc (1992-2004) as CFO and Deputy CEO.

Current external appointments

Peter is currently Non-Executive Chairman of Advanced Medical Solutions plc, and Clinigen plc and privately-owned Oxford Nanopore Technologies Ltd. He is a Non-Executive Director of another small private company, 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

On 16 June 2020 Jonathan notified the Board of his intention not to seek re-election at this year's AGM.

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



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 brings her strategic knowledge and proficiency, developed during her highly recognised career in business, to support Abcam's growth plans. Louise also contributes her extensive board and corporate governance experience to ensure that the Abcam Board is led by a robust governance framework.

Key to Committees

- Nomination
- Audit and Risk
- Remuneration
- Committee Chair

Mara G Aspinall, MBA Non-Executive Director



Appointed
September 2015

Background

Mara is Managing Director of BlueStone Venture Partners and Managing Member of Health Catalysts Group, life sciences consulting firm. 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. Mara is certified in Cybersecurity Oversight from Carnegie Mellon University.

Current external appointments

Mara is a Director of Allscripts Healthcare Solutions Inc, Castle Biosciences, Blue Cross Blue Shield Arizona, OraSure Technologies, and small private emerging life sciences companies.

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.

Giles Kerr, BSc FCA Non-Executive Director



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, Quanta Dialysis Technologies, Elan Corporation Inc and Adaptimmune Therapeutics plc.

Current external appointments

Giles is currently Chairman of PayPoint plc, as well as a Non-Executive Director of Arix Bioscience plc, Senior plc and a number of smaller private companies.

Skills, experience and contribution

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, experience and contribution

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.

Michael Baldock Chief Financial Officer

Appointed
February 2020

Background

After graduating from Harvard University in 1986 Michael began a successful career in investment banking spanning more than three decades, advising and working closely with companies, their executive and finance teams. Over that time, Michael worked in a variety of increasingly senior roles at Drexel Burnham Lambert Group, SG Warburg, Lazard and HSBC, where he latterly ran the global healthcare sector team and investment banking in the Americas. In addition, from 1998 to 2000 Michael and a former client partnered to form Bentley Health Care Inc, an oncology outpatient treatment centre company in New York. In 2008, Michael co-founded Ondra Partners, an independent financial advisory firm.

Current external appointments

Michael is a Non-Executive Director and Chairman of the Audit Committee of Jaws Acquisition Corp.

Skills, experience and contribution

Michael has over 30 years of relevant functional and sector experience acquired through senior leadership roles at HSBC, Lazard, Bentley Health Care and SG Warburg. He was a founding partner at Ondra Partners, an independent financial advisory firm which advised Abcam for several years. He is seasoned corporate finance and M&A practitioner with broad industrial experience and deep knowledge of the healthcare industry.

Board of Directors continued

Board composition and roles

The Board comprises the Chair, two Executive Directors and four Non-Executive Directors.

The Directors are satisfied that the current composition of the Board reflects an appropriate balance of skills, knowledge, experience and diversity. It is recognised however that as a result of Jonathan Milner not seeking re-election at this year's AGM it would be beneficial for the Board to have an additional Non-Executive Director, in particular with experience in respect of life sciences.

The table below provides an overview of the skills and experience of our Directors.

| Skills and experience | Directors |
|---|-------------|
| Executive and strategic leadership | 7 Directors |
| Extensive knowledge of our business and the life sciences sector | 6 Directors |
| Broad international exposure, including in particular the United States and/or China | 6 Directors |
| Experience in finance and accounting | 5 Directors |
| Experience of acquisitions and integration of acquired businesses | 7 Directors |
| Expertise in corporate governance and compliance | 5 Directors |
| Investor relations and engagement | 5 Directors |
| Experience in relation to employee engagement and remuneration including incentive programmes | 5 Directors |
| Expertise in sustainability and experience in community engagement | 1 Directors |

Gender diversity

The percentage of women on the Board is currently 29%, putting us behind the recommended targets for FTSE 350 companies. Whilst our percentage of women on the Board and in senior roles decreased this year to 31% as at 30 June 2020 (36% as at 30 June 2019), we continue to seek to increase the pipeline of women into both the Board and senior management. More details can be found on gender diversity in our Strategic Report on page 33 and in the Nomination Committee Report on page 74. Further details of our diversity and inclusion initiatives can be found on page 33.

Director independence

The Board considers all Non-Executive Directors to be independent within the meaning of the UK Corporate Governance Code Provision 10, with the exception of Jonathan Milner who was co-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 88 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 development

The Board receives training and updates on corporate governance matters throughout the year. This year additional training was provided on the AIM Rules, the General Data Protection Regulation, the new UK Corporate Governance Code 2018, and the Companies (Miscellaneous Reporting) Regulations 2018.

On their appointment to the Board, new directors receive a 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. We have also introduced a briefing for new directors on appointment to the Board covering their role and duties as a director of a publicly traded company. This briefing is conducted by our external legal advisers.

Board evaluation

Board and Committee evaluation is a valuable tool in maintaining and improving Board effectiveness.

The Code recommends that a review of Board effectiveness should be externally facilitated at least every three years. The Board has followed this recommendation and conducted an external review in respect of the 2019/20 financial year. Further details of this review can be found at page 74.

Key Board activity

Over the past year the Board has continued to focus on implementing Abcam's strategy and the measures necessary to meet our goals. This has included a focus on the strategic acquisitions completed during the year, including Expedeon AG's proteomics and immunology business. The Board is aware how the success of an acquisition, measured by the creation of sustainable value for all stakeholders, can be determined by how it is integrated into the wider business. The Board has continued to receive updates on the integration of the proteomics and immunology business, and our other acquisitions, and is pleased with speed and efficiency with integration has occurred and the early indications of value creation.

The closing months of the year were inevitably focused on the outbreak of the COVID-19 pandemic and its implications, both long and short term, for our business. You can find further details on how Abcam has responded to the COVID-19 pandemic on page 6. Additional Board meetings were convened on a regular basis to receive detailed updates on the response of the business to the COVID-19 pandemic, the impact of the COVID-19 pandemic and the social distancing measures introduced around the world on our financial performance and the changes made to our operations to continue to allow us to serve our customers effectively while safeguarding the health and safety of our employees.

Section 172 duty

The Board believes that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 30 June 2020. The Board, advised by the Company Secretary, is mindful of its section 172 duties, when it determines the impact of decisions upon all stakeholders. You can find our section 172 statement on page 58.

Purpose and culture

This year we have sought to better articulate how Abcam's purpose allows us to deliver sustainable value creation for all stakeholders. The Board was involved in this exercise, participating in discussions, helping articulate and considering and contributing to the final output. We believe we now are better able to elucidate how Abcam's purpose to help life scientists achieve their mission faster is realised through our team and our culture. More details can be found in our Strategic Report on pages 1 to 38.

Employee engagement

The UK Governance Code 2018 introduced an increased emphasis on stakeholder engagement and in particular engagement between the Board and the workforce.

It is also a requirement of the Code that we as a Board have in place mechanisms to ensure that we understand the views of the workforce, and three potential methods for engagement with the workforce are identified by the Code. As a Board we have not chosen one of the identified methods and instead have decided to continue with our existing methods of workforce engagement. The central pillar to our workforce engagement is our annual 'town hall' session known as 'Meet the Board'. This gives all employees the opportunity to hear from and understand the views, skills and experience of each Board member and there is the opportunity for all employees to ask questions, either in person or anonymously through questions submitted in advance. These sessions are recorded and made available to all employees who were not able to attend. Following the formal session, the Board remains available to meet attendees informally at a drinks reception where all employees are free to engage further.

Alongside the 'town hall' session, we provide regular global updates to employees from our CEO and other members of the Executive Leadership Team. We also provide an anonymous service to allow employees to ask questions and raise issues with the CEO on any topic, known as 'Ask Alan'. We have recently implemented 'pulse' employee surveys to provide timely and actionable data. The results of these surveys are regularly reported to the Board with other KPIs linked to employee engagement, such as turnover rates.

We provide a summary of how we have engaged with employees, how we have had regard to employees' interests, and the effect of that regard, including on the principal decisions taken by the Company during the financial year on page 60.

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.

Throughout the year our Vice President of Investor Relations coordinates ongoing communication with shareholders and analysts and the Board receives regular updates on the views of our shareholders. In addition the Chairman, and as appropriate Senior Independent Director, and the Chairs of each Board Committee, has engaged our shareholders, discussing the Company's strategy and performance, our dividend policy, and environmental, social and governance matters. In addition, the CEO and CFO have made themselves available to our major shareholders to ensure that their opinions are heard. The impact of the COVID-19 pandemic has reduced the amount of in-person meetings we have been able to conduct but we have continued to engage through telephone calls and video conferences. Our corporate brokers and financial public relations advisors have also continued to gather investor and analyst feedback which is relayed to, and discussed by, the Board to help them understand the views of our major shareholders.

Key Board activities continued

On 14 November 2019 we held a Capital Markets Event for institutional investors and analysts to provide insights on our business, customers and long-term strategy. This was a well attended and well received event where attendees were able to hear from and question key leaders from around the business. The questions raised and issues discussed at this event that were some of the drivers of our review of the views of our major stakeholders and the impact we have on those stakeholders, the environment and society as a whole, as described in greater detail on pages 30 to 38 and page 61.

We engaged with shareholders to understand their views with respect to the votes against the resolution to re-elect Peter Allen as Chairman at our last AGM. Following this engagement, and consistent with the Board's and Company's ongoing commitment to comply with best practice where possible, Peter relinquished his position as a member of Abcam's Audit and Risk Committee and to step down as Chairman of the Board of Diurnal Group plc.

Further detail on how we have engaged with shareholders can be found on page 62.

What we did this year

Strategy

- Monitored implementation of the Abcam's strategy including receiving regular presentations from members of the Executive Leadership Team on the progress of the strategy in their respective areas.
- Considered and approved strategic transactions and opportunities including the acquisitions of the proteomics and oncology business of Expedeon AG, a knock-out cell lines and lysates portfolio from Edigene Inc, a gene editing platform and oncology product portfolio from Applied StemCell Inc., the entire issued share capital of Marker Gene Technologies, Inc., and investments in BrickBio Inc and SomaServe Limited.
- Monitoring the impact of the COVID-19 pandemic on the implementation of strategy.

Financial performance

- Considered the financial performance of the business and key performance targets and the impact of the COVID-19 pandemic.
- Approved the budget.
- 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 dividend recommendations and considered our dividend policy.

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.
- Adopted a new global signing authority, and contract review, approval and execution policy.

Governance, stakeholders and shareholders

- Discussed the composition of the Board and its Committees.
- Approved the appointment of a new CFO and Executive Director, Michael Baldock.
- Adopted a revised and updated Global Code of Conduct 'How we do things at Abcam'.
- Approved a share issue to Durable Capital Partners.
- 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 the Company's policies in line with their schedule of review.
- Instituted and received an annual 'Governance and Compliance Healthcheck' to monitor performance against the requirements of the Corporate Governance Code 2018, section 172 of the Companies Act 2006, the UK Bribery Act and US Foreign Corrupt Practises Act, General Data Protection Regulation, Modern Slavery Act, and health and safety legislation and regulations throughout the world.

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

Peter Allen
Nomination Committee Chairman

Committee meetings

2

Committee members and attendance

| | Meetings |
|---------------|----------|
| Peter Allen | 3/3 |
| Louise Patten | 3/3 |
| Mara Aspinall | 3/3 |
| Giles Kerr | 3/3 |

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

Following the announcement that Gavin Wood was stepping down from the Board, the Nomination Committee oversaw a rigorous recruitment process for a new CFO. I was delighted to welcome Michael Baldock to the Board in February 2020. His appointment followed an extensive search which I led with the leading executive search consultancy, Sam Allen Associates Limited. 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 13 January 2020.

Michael has over 30 years of relevant functional and sector experience acquired through senior leadership roles at HSBC, Lazard, Bentley Health Care and SG Warburg. He is a founding partner at Ondra Partners, an independent financial advisory firm which has advised Abcam for several years. The Board believed that his combined experience and knowledge of Abcam make him an ideal candidate to lead Abcam's financial and strategic growth plans.

Michael was appointed to the Board on 3 February 2020, and Gavin Wood stepped down on this date. Gavin left Abcam at the beginning of March.

Following his appointment, Michael received a comprehensive and tailored induction programme to enhance his knowledge and understanding of the Company's business, strategy and governance structure, as well as his own duties and responsibilities. He spent time with the Executive Directors, Non-Executive Directors, Executive Leadership Team and Company Secretary, and other key personnel across the business. Michael also received a briefing on his role and duties as a director of a publicly traded company from our external legal advisers.

On 6 September 2019, Sue Harris notified the Board of her intention to not seek re-election at the AGM. Sue has played an important role in chairing the Audit and Risk Committee to high standards over nearly five years. The Board thanked her for this critical leadership role. The Board decided to appoint Giles Kerr to lead the Audit and Risk Committee.

Nomination Committee continued

On 16 June 2020, Jonathan Milner Non-Executive Deputy Chairman informed the Board that he would not stand for re-election at the next AGM, to allow him to focus on his growing portfolio of early stage company investments. After stepping down as CEO of Abcam in 2014, Jonathan founded a company to invest in and help foster the growth of over 40 early stage companies.

In addition, I notified the Board that I would relinquish my position on the Audit and Risk Committee. Mara Aspinall was appointed in my place on 2 June 2020.

Non-Executive Director appointment process

As a result of the Board changes we have decided to start a search for at least one new Non-Executive Director. Board composition is central to the effective leadership of the Group and therefore prior to commencing any search for prospective Board members, the Committee draws up a specification, reflecting on the Board's current balance of skills and experience and that will promote diversity on the Board, including gender, social and ethnic backgrounds, cognitive and personal strengths, 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. We have appointed search consultancies to support this process.

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.

Gender diversity

Following the Board changes in the year, female representation on the Board stands at 29%. This puts Abcam below 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 32.

Activity in the year

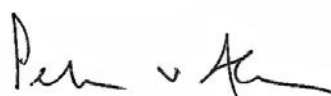
The committee has been focused on the appointment of a successor to Gavin Wood and was delighted to be able to attract a CFO of the calibre of Michael Baldock. We have been supporting Michael with his induction and onboarding process. This has included site visits and meeting our global team along with a development plan and support from an executive coach.

We have undertaken a formal Board Effectiveness Review this year in accordance with the requirements of the Corporate Governance Code 2018 facilitated by an independent board effectiveness consultancy, Sam Allen Associates Limited. Sam Allen Associates Limited has no connection with Abcam or any individual directors, other than providing executive search services for three appointments in the past five years, including in connection with the appointment of Michael Baldock. Due to the impacts of the COVID-19 it was agreed that the review be conducted by questionnaire with follow up calls as appropriate. The overall findings from the effectiveness review concluded that Abcam's Board, Committees and individual Directors continue to operate effectively. The Board has actively discussed the recommendations arising out of the Board effectiveness review and has identified a few actions which we are now addressing; including reviewing the KPIs used by the Board to monitor progress against our strategy and the addition of at least one additional Non-Executive Director. We have agreed to discuss our effectiveness on a regular basis at our Board meetings.

Our support for the succession planning for the Executive Leadership Team has continued. This is to ensure we have a robust pipeline of potential successors for these critical roles. This is key in a fast-growing business like Abcam. I am pleased that Abcam continues to both attract great people and was pleased to see the launch of the Accelerated Growth programme to support the development of the organisations' top talent. We also ensured Executive Leadership Team continued to benefit from development and mentoring from the Non-Executive Directors.

Priorities for 2020/21

The Committee will support the appointment and onboarding of at least one new Non-Executive Director. In addition, it will continue to support the development of the Executive Leadership Team and the plans to build additional succession internally; as well as the activity to drive a broader diversity and inclusion action plan.



Peter Allen
Nomination Committee Chairman
12 September 2020

The Committee plays a key role in governance of the Group’s financial reporting and risk management and ensures that shareholders’ interests are protected and the Company’s long term strategy is supported.

Giles Kerr
Audit and Risk Committee Chairman

Committee meetings

5

Committee members and attendance

| | Meetings |
|-----------------------|----------|
| Giles Kerr (Chairman) | 5/5 |
| Mara Aspinall* | 0/0 |
| Louise Patten | 5/5 |
| Past members | |
| Peter Allen | 5/5 |
| Sue Harris | 2/2 |

* Mara Aspinall was appointed to the Committee after the last Committee of the financial year on 2 June 2020.

Introduction

As Chairman of the Committee, I am pleased to present the report of the Audit and Risk Committee for the year ended 30 June 2020.

This report sets out the work of the Committee over the past year and offers insight into how the Committee has discharged the responsibilities delegated to it by the Board and the key areas of focus it has considered in doing so.

In meeting its responsibilities, the Committee continues to consider the provisions of the UK Corporate Governance Code and the FRC Guidance on Audit Committees. The Committee’s Terms of Reference are available on www.abcamplc.com

The Committee works to a structured programme of activities which is focused on the Group’s reporting cycle, principal risks and risk appetite and keeps in mind a forward looking strategic agenda. These activities are supplemented throughout the year as key matters arise.

The Committee’s primary focuses have been:

- monitoring the integrity of the Company’s annual report and accounts and interim statement including significant judgements;
- appraising a formal update to the Group’s principal risks and risk appetite statements; and
- review of the Internal Audit function and its outputs,
- assessing the progress made on the implementation of remaining modules of the Group’s ERP system.
- Overseeing the judgements and estimates made in the accounting valuations of acquisitions made in the year, in particular in respect of intangible assets acquired.

In exercising its duties, the Committee undertakes a crucial role in provide effective governance over the Group’s financial reporting and internal control procedures thereby ensuring that shareholders’ interests are protected and the Company’s long term strategy is supported.

Committee governance

Membership

The Committee continues to be comprised exclusively of independent Non-Executive Directors. Sue Harris stood down from the Committee and the Board on 13 November 2019 and Giles Kerr assumed the role of Chairman of the Committee in her place. In addition, Peter Allen stood down from the Committee on 2 June 2020 and in his place, Mara Aspinall joined the Committee on 2 June 2020. Following these changes, the composition of the Committee is in compliance with the UK Corporate Governance Code which states that the Chairman should not be a member of the Committee.

Independence and experience

The Board has confirmed that it is satisfied that the Committee members provide an appropriate depth of financial, risk management and commercial experience across different industries including life sciences and in listed companies. The Committee acts independently of management. The Board has also confirmed that it is satisfied that Giles Kerr and Peter Allen, both being chartered accountants and having held other finance appointments meet the requirement for recent and relevant financial experience. Following Peter Allen standing down, the Committee maintains recent and relevant financial experience through Giles Kerr’s Committee chairmanship.

Meetings

The Chief Financial Officer, Vice President Finance, Company Secretary (acting as secretary to the Committee), Head of internal audit, other members of senior management and representatives of the Company’s external auditor (PricewaterhouseCoopers LLP (PwC)) attended by invitation.

Representatives of the Group's external auditor meet with the Committee at least once a year without Executive Directors or management being present.

External advice

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

Key Committee activities during 2019/20

Financial reporting

- Considering matters of accounting significance, estimation and judgement including those in respect of the various acquisitions made during the year;
- 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 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 possible scenarios especially considering the potential continued impacts on the business of COVID-19
- Reviewing the longer-term viability statement (LTVS) including appraising the Board's approach and use of its five-year plan on which the LTVS is based, linkage to strategy, principal risks, together with related scenario stress analysis; and
- Considering if the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

Fair, balanced and understandable

The Annual Report and Accounts continues to focus strongly on key strategic messages and the Committee has had due attention to this emphasis and balance of this where it may affect disclosures elsewhere in the Annual Report and Accounts. 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 statements, including appropriate disclosure of material or significant items necessary to aid a reader's understanding and appropriate balance of reported and adjusted performance measures.

Risk management and internal control

The Committee receives updates on risk and internal control matters at each meeting. This regular monitoring allows timely identification of issues and formal tracking of remediation plans. The main areas of assessment were:

- Considering the formal review undertaken in the year of the Groups' principal risks, emerging risks and risk appetite statements and recommending to the Board the adoption thereon;
- Monitoring continual improvements in risk management including reviewing actions to mitigate risk and challenging the assessment of risk mitigations in line with risk appetite;
- Reviewed the internal audit plan for the current and forthcoming year ensuring alignment with key risks. Monitoring the transition from a previously fully outsourced internal audit function to a primarily internal function;
- Reviewing the effectiveness and integrity of the internal financial controls framework by considering the risk updates presented at each Committee meeting as well as internal audit reports and any matters brought to the attention of the Committee by the external auditor;
- Monitoring progress on the implementation and project governance of transformational projects, including, but not limited to the ERP implementation; and
- Receiving updates on continual strengthening of Cyber security measures.

Compliance

The Committee reviews and considers the operation of the Group's compliance initiatives. These include 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.

During the year the Committee received updates from management on GDPR and an annual governance 'health check'.

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 in respect of the financial statements as well as how these matters were addressed. The following sets out the main areas of judgement considered by the Committee. For each area, the Committee was satisfied with the accounting and disclosures in the Annual Report and Accounts.

| Matters of accounting significance and judgement | Committee's review and conclusions |
|---|---|
| <p>Costing of internally developed technology capitalised within intangible assets</p> <p>Internal costs are capitalised as internally developed technology within intangible assets which is used to generate antibodies and kits.</p> <p>The point at which such internal costs are included and capitalised as well as their magnitude (where the amount capitalised comprises mainly of attributable salary costs and consumables used in the manufacture process) is a key area of judgement.</p> | <p>The Committee discussed and challenged management's review and also considered the report from the auditor on the results of its testing.</p> <p>The Committee considered management's assessment of technical feasibility, intention and adequate resources to complete projects together with the level of expected sales to support the assets. This was also considered in light of historical track records of value generation and internal governance procedures to approve capitalisation.</p> |
| <p>Classification of costs associated with system process improvements together with assessment of carrying value of assets under construction</p> <p>The strategic ERP programme is a complex, multi-year global business transformation with numerous phases across multiple functions necessary to secure the Group's longer-term growth ambitions. The work involves both internal and external costs and judgement is required both in respect of whether the amounts qualify for capitalisation and whether amounts which are expensed are incremental given that these are separately disclosed as such.</p> <p>Several modules went live in previous years and changes to the approach and software used in future modules were made toward the end of 2018/19. The nature and scope of the programme remain fundamentally the same as set out at the beginning of the year and as a result management has concluded that there are no indicators of impairment of the asset under construction.</p> | <p>Primary oversight of this important programme at Board level has been maintained.</p> <p>In line with last year, the Committee received reports from management and the external auditor regarding the classification of amounts expensed versus those capitalised and remained satisfied with the treatment.</p> <p>Detailed aspects of the project continually evolve and regular updates are provided usually at Board level. The Committee was satisfied with management's conclusion that there were no indicators of impairment.</p> |
| <p>Valuation of assets acquired as part of acquisitions</p> <p>As set out in note 28 to the consolidated financial statements, the Group made a number of acquisitions during the year, the most significant of which was Expedeon.</p> <p>The valuations included external as well as internal valuations which included management judgement and estimation.</p> | <p>The Committee discussed the accounting treatment of these acquisitions and also assessed the assumptions made in the valuation of the assets acquired including review of the reports provided by the external valuers.</p> <p>The Committee received and reviewed reports from management and the external auditor and, where appropriate, challenged these judgements and estimates.</p> |

Matters of significance and judgement continued

| Reporting matters | Committee's review and conclusions |
|--|---|
| <p>Going concern and Longer-term viability statement Assumptions underlying going concern and the longer-term viability statement made on pages 95 and 58, respectively are based upon the Group's budget and five-year financial and operating plans. These include appropriate scenario analysis and take into account the Group's principal risks as well as the ongoing effects of the COVID-19 virus.</p> | <p>The Committee, in conjunction with the Board, reviewed the plans and scenarios and was 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.</p> <p>The Committee paid particular attention to the scenarios in respect of how the ongoing effects of the COVID-19 virus may affect customers and therefore the business. Both the speed and extent of recovery were considered. The Committee was satisfied that severe but plausible downside scenarios were appropriate whilst still supporting the Group's longer term viability and its going concern statement.</p> |

Internal audit

The internal audit function provides independent and objective assurance over the design and operating effectiveness of the system of internal control through a risk focused approach. The function reports into the Committee and administratively to the Vice President Finance.

Historically, the internal audit function has been fully outsourced to a professional services firm (KPMG). In the second half of the year, the Group appointed its own head of internal audit such that a co-sourcing agreement is now in place with KPMG to ensure that access to specialist skills and an extended independent knowledge base is maintained.

Prior to the start of each financial year, the Committee reviews and approves the annual internal audit plan, but further review occurs during the year to take account of any need to refocus. Internal audits completed during 2019/20 were:

- Sales catalogue pricing and discounts;
- Demand forecasting and inventory management;
- Processes around obtaining net promoter score input;
- Payment processes; and
- User access controls.

Progress updates on actions arising from current and prior reports were provided at each Committee meeting.

The Committee is satisfied that the internal audit programme remains risk focused, is functioning satisfactorily across the Group, that management is open to reviews and takes action on recommendations on a timely basis.

The Committee continues to review how the internal audit function will need to evolve in future years.

External auditor

Independence and objectivity

Both the Board and the external auditor (PwC) have safeguards in place to protect the independence and objectivity of the external auditor. The Committee receives details of any relationships between the Company and PwC that may have a bearing on their independence. 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.

During the year, the Group announced its intention to explore a secondary listing in the US and the Board has since confirmed it has decided to move ahead with a secondary listing on NASDAQ whereby it is working towards listing in the final calendar quarter of 2020. US regulations require that the audit of the Group's financial statements comply with the requirements of the Public Company Accounting and Oversight Board (PCAOB) and this includes specific additional work to be performed in respect of the Group's internal control environment under strict specified criteria and assessments both for the year ended 30 June 2019 and 30 June 2020 where work was undertaken for both financial years concurrently. Furthermore, certain procedures are also required to be undertaken by the Group's auditor in respect of the initial listing document, but complement the audit opinion provided under PCAOB standards.

Consequently, additional fees in respect of both the control environment and the US listing document have been incurred in the year and are set out in note 6 to the consolidated financial statements.

Non-audit fees

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

Non-audit fees amounted to £99,000 (2018/19: £23,000) compared to £487,000 (2018/19: £186,000) of audit fees. Audit fees for 2019/20 include additional work on controls for US PCAOB compliance is described above, whereby excluding these specific fees, the comparable audit fees are £301,000. 2019/20 non-audit fees also include work in respect of the Group's proposed listing in the US where excluding these fees, the comparable non-audit fees are £23,000. Non-audit fees taken as a percentage of audit fees was 20% (2018/19: 12%), but excluding US related work, the equivalent percentage was 8% (2018/19: 12%). These percentages reflect 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 two years.

PwC's objectivity, independence and performance are considered to remain strong and the Committee has recommended to the Board that PwC be re-appointed as external auditor for the 2020/21 financial year, subject to approval at the AGM.

Auditor effectiveness

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:

- Audit risk identification whereby this is a key factor in the delivery of a thorough, robust and efficient global audit in accordance with pre-set timescales. These risks remained broadly consistent with the prior financial year, but with additional focus on acquisitions given the activity in this area during the year;
- 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.

Conclusions

The Committee's oversight of financial reporting, external and internal audit, and the further development of the control and risk environments have been areas of significant focus. These are likely to remain so for the 2020/21 financial year as the Group grows and develops in line with its strategy.

The Committee remains focused on ensuring that finance and risk capability is enhanced appropriately to manage in an increasingly complex business and an increasingly regulated environment.

I am confident that the Committee has the necessary skills and experience to continue to meet the challenges ahead.



Giles Kerr
Audit and Risk Committee Chairman
 12 September 2020

Remuneration Committee Chairman's statement

The Committee focuses on sustainable performance across a range of KPIs which foster value creation for our shareholders and progress on initiatives that support our growth strategy.

Louise Patten
Remuneration Committee Chairman

Committee meetings

7

Committee members and attendance

| | Meetings |
|--------------------------|----------|
| Louise Patten (Chairman) | 7/7 |
| Mara Aspinall | 7/7 |
| Giles Kerr | 7/7 |
| Peter Allen | 7/7 |
| Past members | |
| Sue Harris | 4/4 |

I am pleased to present the report of the Remuneration Committee for the year ended 30 June 2020.

In 2019/20, the world faced an unprecedented challenge from the COVID-19 pandemic. Our financial results reflect two dramatically different demand environments for the year. In the first half year, overall Catalogue revenue was once again approximately double underlying market growth, reflecting the sustained market share gains that have long supported Abcam's growth. Our proprietary in-house product revenues grew by more than 13% (CER).

During the second half, there was significant disruption across our markets as most laboratories shut down for several months during the COVID-19 pandemic. Despite this reduced activity, demand for our own products held up well on a relative basis, with total growth for the year across in-house products of 6.0% on a constant currency basis, compared with a decline of 6.9% for third-party products. Group revenue for the year was £260.0m (2019: £259.9m).

During the past year we initiated a growth plan and a programme of investments across the business, focused on sustaining long-term profitable top-line growth, whilst driving attractive margin and returns in later years. The investments we are making that support our growth strategy, together with the impact of COVID-19, resulted in an adjusted operating profit of £44.5m (2018/19: £83.6m). Reported gross margin for the year was 69.3% (2019: 70.5%).

The Company has continued to deliver on its strategy and stated mission to serve life scientists to achieve their mission, faster. Our people have adapted quickly to a new way of working and continued to put our customers first. We have maintained our investment behind our growth strategy and have also continued to commit to looking after our people and retaining key talent, supporting our people with full employment throughout. The Company have not applied for, nor received, any government support made available in response to the global pandemic. No Abcam employee has been furloughed or made redundant as a consequence of the impact of the COVID-19 pandemic and eligible employees globally received their annual market-based pay increase on 1 July 2020 as in prior years.

Our ability to respond in this way is underpinned by our business model and financial strength. Looking ahead, we are confident in our outlook which is reflected in our commitment to our long-term investment plans. Despite the extreme circumstances of 2019/20, we have committed to invest in our long-term strategy and have maintained shareholder value.

Within this context I would like to provide you with an overview of the Committee's key decisions during 2019/20.

2019/20 remuneration outcomes

The Committee always seeks to ensure that the remuneration of our Executive Directors reflects the underlying performance of the business. When approving outcomes, we therefore considered performance against our financial and strategic targets along with wider business and individual performance over 2019/20. We believe that the decisions outlined below fairly reflect performance in the context of the extreme circumstances of the last nine months.

Executive Director base salaries

Alan Hirzel received an increase in base salary of 2.4% to £629,760, broadly in line with the average increase among the wider UK workforce of 2.8%. Michael Baldock received an increase in base salary of 2% to £408,000. Both salary increases are effective 1 July 2020.

Details of the fees for members of the Non-Executive Board are set out on page 86. 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.

Executive Directors' pension contribution reduction

In order to align the Executive Directors' pension contributions with the wider UK workforce, the Committee have reduced the pension entitlement for Alan Hirzel to 8% of base salary, down from 13% under the current Remuneration Policy. This change is effective from 1 July 2020.

Michael Baldock's pension contribution was aligned with the wider workforce on his appointment in February 2020.

Annual Bonus Plan (ABP)

Annual bonus outcomes were considered in the context of financial, strategic and personal performance. Taking into account the extreme circumstances, the Committee determined that, on this occasion, it was appropriate to exercise judgement on the overall outcome and awarded threshold performance. After a detailed review, annual bonus out-turns were 37.7% of maximum for Alan Hirzel (55.8% of maximum last year), 15.3% for Michael Baldock and 22.0% for Gavin Wood, the former CFO, reflecting his leaving arrangements as disclosed in last year's report. The out-turns for Michael Baldock and Gavin Wood have been pro-rated to reflect their mid-year joining and leaving dates respectively. 30% of the earned bonus for Alan Hirzel and Michael Baldock will be deferred into shares for two years. Further details regarding achievement against each performance target are set out on page 85.

Long Term Incentive Plan (LTIP)

The 2017 award was intended to reward and incentivise senior leaders over the three-year period from 1 July 2017 to 30 June 2020. The Committee carefully considered performance over that period, including the impact of the pandemic during the final four months.

Performance against recombinant antibody revenue growth, immunoassay revenue growth and customer engagement (tNPS) targets were achieved at above the threshold level. In respect of EPS, after careful consideration the Committee determined that it would adjust EPS to reflect performance in the 32 month period leading up to the pandemic. However, in recognition that such an adjustment had been made, the Committee applied a reduction of 10% to the overall formulaic outcome resulting in an out-turn of 68.4% of maximum.

Given wider business performance and total shareholder return of 41% over the performance period from 1 July 2017 to 30 June 2020, the Committee strongly believed that vesting fairly reflected overall business performance and the wider stakeholder experience. Further details regarding the achievement against the performance targets are on pages 85 and 86.

2020 LTIP awards

The Committee want to ensure that all LTIP metrics and targets remain suitable and aligned with our growth strategy and appropriately incentivise participants. In light of our strategy focused on sustaining long-term profitable top line growth, initiated during the past year, we intend to consult with shareholders over the coming weeks on our overall LTIP structure and performance framework, including proposed changes for this year's awards. After consultation, we will disclose further details on these awards in advance of the Annual General Meeting (AGM).

Executive Director changes

As discussed elsewhere in this Annual Report, Gavin Wood stepped down as Chief Financial Officer (CFO) on 3 February 2020 and left Abcam on 31 March 2020. Details of Gavin Wood's departure arrangements were disclosed in the 2019 Remuneration Report.

Michael Baldock succeeded him as CFO and was appointed to the Board on 3 February 2020. A summary of his remuneration arrangements are provided on pages 88 and 89.

Remuneration in wider context

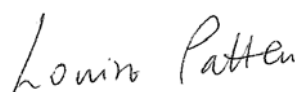
Alongside the decisions made on executive remuneration, the Committee provides oversight to broader workforce trends and inputs into the formulation of reward programmes across our global workforce. This includes the strategic review and approval of our incentive plans and their performance criteria to ensure each plan is aligned to the interests of our stakeholders and the long-term success of the Company. An example of the Committee's role in the remuneration structure for the wider workforce was our support and approval of our multi-award winning employee share purchase plan, AbShare, aligning interests up and down the organisation, and enabling employees to share in the success of the Company. We are delighted that over 90% of our employees have chosen to participate in AbShare.

When making decisions on executive remuneration and setting our Directors' Remuneration Policy, the Committee takes into consideration our global workforce to ensure our total reward offer supports business priorities and is aligned to our stakeholders' interests, whilst supporting our culture and values. Further details on how the decisions made for our Executive Directors compares to the wider workforce are provided on page 91.

Next steps

Overall, our shareholders were supportive of the decisions the Committee made last year. We were pleased to receive a vote of 96.67% in favour of our 2019 Remuneration Report at the 2019 AGM.

At the 2021 AGM, we will be seeking shareholder approval for a renewed Directors' Remuneration Policy. We will seek to engage our stakeholders to capture their perspectives over the course of 2020/21 and will seek approval of the new Policy at next year's AGM. The current Policy expires at that time and, although we believe it has served its purpose of fostering our philosophy of share ownership and delivery of long-term growth, we will be conducting a strategic review of the Policy over the coming year to ensure continued optimum alignment of our remuneration practices with the revised strategy of the Company.



Louise Patten
Remuneration Committee Chairman
12 September 2020

Remuneration Principles

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.

Our global employee share purchase plan, AbShare, with a significant performance match from Abcam, represents a step change in employee share ownership and greatly enhances the alignment of interests between colleagues and our shareholders. The Executive Directors are not eligible to participate in AbShare.

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.

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.

Implementation of Directors' Remuneration Policy in 2020/21

Executive Directors' base salaries

The base salaries of the CEO and CFO were increased as follows with effect from 1 July 2020, broadly in line with the average increase for the wider UK workforce.

| | | Salary 2019/20 £000 | Change | Salary as at 1 July 2020 £000 |
|-----------------|-----|---------------------------|--------|-------------------------------------|
| Alan Hirzel | CEO | 615 | 2.4% | 630 |
| Michael Baldock | CFO | 400 | 2.0% | 408 |

Annual Bonus Plan

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

| | Maximum % of salary |
|-------------------|---|
| Annual Bonus Plan | 150%, of which 30% of any bonus is deferred into shares |

2020/21 measures

| | Weighting |
|---------------------|-----------|
| Financial targets | 50% |
| Strategic targets | 33% |
| Personal objectives | 17% |

At the Committee's discretion, the bonus 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

The Committee want to ensure that all LTIP metrics and targets remain suitable and aligned with our growth strategy and appropriately incentivise participants. In light of our strategy focused on sustaining long-term profitable top line growth, initiated during the past year, we intend to consult with shareholders over the coming weeks on our overall LTIP structure and performance framework, including proposed changes for this year's awards. After consultation, we will disclose further details on these awards in advance of the Annual General Meeting (AGM).

Pensions and flexible benefits

The Executive Directors are entitled to contributions from the Company 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 where their pension arrangements are fully funded. They also receive a range of core benefits such as life insurance, private medical cover and annual health screens.

In order to align the Executive Directors' pension contributions with the wider UK workforce, the Committee reduced the pension entitlement for Alan Hirzel to 8% of base salary, from a maximum of 13% under the current Remuneration Policy. This change is effective from 1 July 2020. Michael Baldock's pension contribution was aligned with the wider workforce on his appointment in February 2020.

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 2019/20 with a re-calibrated notional share price and will remain in place until 2020/21.

Annual Report on Remuneration

AUDITED INFORMATION

Executive Directors' single figure for total remuneration in 2019/20

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 | Total fixed £000 | Annual bonus ³ £000 | LTIP ^{4,5,6,7} £000 | Total variable £000 | Total remuneration £000 |
| Alan Hirzel | 2019/20 | 615 | 13 | 78 | 706 | 348 | 542 | 890 | 1,596 |
| | 2018/19 | 600 | 12 | 75 | 687 | 502 | 631 | 1,133 | 1,820 |
| Michael Baldock | 2019/20 | 167 | 29 | 7 | 203 | 92 | 124 | 216 | 419 |
| | 2018/19 | — | — | — | — | — | — | — | — |
| Past Executive Directors | | | | | | | | | |
| Gavin Wood | 2019/20 | 242 | 22 | 33 | 297 | 74 | 210 | 284 | 581 |
| | 2018/19 | 315 | 29 | 42 | 386 | 184 | 699 | 883 | 1,269 |

- 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 figures also include tax compliance support provided by the Company. Michael Baldock is covered under the Company's international medical insurance cover and has received £13,869 under his relocation support in 2019/20.
- In 2019/20 Alan Hirzel and Gavin Wood were entitled to contributions from the Company of up to 13% of base salary into a defined contribution pension plan. Michael Baldock's pension entitlement was aligned to the wider workforce at 8% of salary on commencement of his employment with the Company. 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.
- 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 2019/20 the value of the deferred share award will be £104,473 for Alan Hirzel (2018/19: £150,525) and £27,552 for Michael Baldock. Under Gavin Wood's leaver provisions, it was agreed that he will not receive the deferred share award for 2019/20 or 2018/19.
- 2019/20 LTIP (Long-Term Incentive Plan) payments for Alan Hirzel and Gavin Wood represent the value of the 2017 LTIP, based on the average fair market value in the final quarter, being £13.14.
- 2018/19 LTIP figures have been restated to reflect the actual prices at the date they were released. Gavin Wood's 2018/19 figure also includes his new joiner award which vested in November 2019.
- 2019/20 LTIP figure for Alan Hirzel and Gavin Wood represent the value of their 2017 LTIP awards due to vest on 3 November 2020. The share price increased from £10.20 at grant to £13.14 based on the 2019/20 Q4 average, meaning the amount attributed to share price gains is £121,249 and £46,690, respectively. The 2018/19 LTIP figure for Alan Hirzel and Gavin Wood represents the value of their 2016 LTIP awards under which the share price has increased from £8.51 at grant to £11.71 meaning the value attributed to share price growth was £172,169 and £191,057, respectively.
- 2019/20 LTIP figure for Michael Baldock represents the value of tranche 1 of his Recruitment Award which is subject to the same performance conditions as the 3 November 2017 awards for Alan Hirzel and Gavin Wood. The share price increased from £12.11 at grant to £13.14 based on the 2019/20 Q4 average, meaning the amount attributed to share price gains is £9,692.

Annual Bonus Plan (ABP) – targets and performance outcomes

Annual bonus outcomes were considered in the context of financial, strategic and personal performance. Taking into account the extreme circumstances, the Committee determined that, on this occasion, it was appropriate to exercise judgement on the overall outcome and awarded threshold performance. After a detailed review, annual bonus out-turns were 37.7% of maximum for Alan Hirzel (55.8% of maximum last year), 15.3% for Michael Baldock and 22.0% for Gavin Wood, the former CFO, reflecting his leaving arrangements as disclosed in last year's report. The out-turns for Michael Baldock and Gavin Wood have been pro-rated to reflect their mid-year joining and leaving dates respectively. 30% of the earned bonus for the CEO and CFO will be deferred into shares for two years.

| Performance element | Measure | Weighting | Threshold (25%) | Target (50%) | Exceeds (75%) | Maximum (100%) | Overall achievement | 2019/20 out-turn (% of overall maximum) |
|---------------------|---|-----------|--|--------------|---------------|----------------|-----------------------------|---|
| Financial | Adjusted Profit Before Tax (PBT) ¹ | 50.0% | £74–80m | £80–86m | £86–89m | >£89m | Threshold | 12.5% |
| Strategic | Proprietary Product Revenue Growth | 16.5% | Proprietary product revenue growth was achieved at threshold level performance in the range of 13–21% | | | | Threshold | 8.2% |
| | Customer Engagement (tNPS) | 16.5% | Customer engagement tNPS achieved was greater than the threshold target of 56% | | | | | |
| Personal | Personal objectives for Executive Directors comprising a range of targets | 17.0% | The current Executive Directors significantly exceeded expectations under their personal objectives for the year, which included the effective communication of the new strategy externally with shareholders and fostering capability in the senior management team in order to lead the business for the next 5 years. | | | | Maximum ² | 17.0% |
| Overall | | 100.0% | | | | | | 37.7% |

- 1 Financial performance is based on the Group's adjusted profit before tax (adjusted PBT), on a budgeted exchange rate basis. The PBT targets set under the ABP have been disclosed in full. For the strategic measures, targets have been disclosed where not considered commercially sensitive.
- 2 Gavin Wood, the former CFO, achieved target performance under the Personal element.

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

The 2017 award was intended to reward and incentivise senior leaders over the three-year period from 1 July 2017 to 30 June 2020. The Committee carefully considered performance over that period, including the impact of the pandemic during the final four months.

Performance against recombinant antibody revenue growth, immunoassay revenue growth and customer engagement (tNPS) targets were achieved at above the threshold level. In respect of EPS, after careful consideration the Committee determined that it would adjust EPS to reflect performance in the 32 month period leading up to the pandemic. In recognition that such an adjustment had been made, the Committee applied a reduction of 10% to the overall formulaic outcome resulting in an out-turn of 68.4% of maximum.

Annual Report on Remuneration continued

Given wider business performance and total shareholder return of 41% over the performance period from 1 July 2017 to 30 June 2020, the Committee strongly believed that vesting fairly reflected overall business performance and the wider stakeholder experience.

| Performance measure | Weighting | Threshold (25%) | Maximum (100%) | Overall achievement | 2019/20 out-turn (% of overall maximum) |
|--|-----------|---|----------------|------------------------|---|
| Financial Compound annual EPS growth ¹ | 70.0% | 8% | 12% | 10.4% | 44.1% |
| Strategic Recombinant antibody revenue growth | 10.0% | Exceeded the maximum target of 15% growth | | Above threshold | 24.3% |
| Immunoassay revenue growth | 10.0% | Exceeded the maximum target of 15% growth | | | |
| Customer Engagement (tNPS) relative to market leader | 10.0% | Exceeded the threshold target of 55% | | | |
| Overall | 100% | | | | 68.4% |

¹ The EPS targets set under the LTIP have been disclosed in full. For the strategic measures, targets have been disclosed where not considered commercially sensitive.

2019/20 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 2020:

| | 2019/20 | | | 2018/19 | | |
|--|-------------------|------------------------------|--|-------------------|------------------------------|--------------------------------|
| | Total fee £000 | Delivered as cash £000 | To be delivered as shares ¹ £000 | Total fee £000 | Delivered as cash £000 | Delivered as shares £000 |
| Current Non-Executive Directors | | | | | | |
| Peter Allen | 225 | 150 | 75 | 225 | 150 | 75 |
| Jonathan Milner | 70 | 47 | 23 | 70 | 47 | 23 |
| Louise Patten | 83 | 55 | 28 | 83 | 55 | 28 |
| Mara Aspinall ² | 73 | 50 | 23 | 71 | 48 | 23 |
| Giles Kerr ³ | 77 | 51 | 26 | 39 | 27 | 12 |
| Past Non-Executive Directors | | | | | | |
| Sue Harris ⁴ | 40 | 40 | — | 83 | 55 | 28 |
| Total remuneration | 568 | 393 | 175 | 571 | 382 | 189 |

¹ Shares will be awarded at the beginning of the first open period following the announcement of the annual results in September 2020.

² Mara Aspinall received tax compliance support in the preparation of her tax returns relating to her fee from Abcam for which £2,545 was paid by Abcam in 2019/20 (2018/19: £1,200) and is included in the total fee figures for each year.

³ Giles Kerr began receiving a £12,500 supplemental fee following his appointment as Chairman of the Audit and Risk Committee on 13 November 2019.

⁴ Sue Harris stepped down as Non-Executive Director on 13 November 2019. The 2019/20 'Delivered as cash' figure in the table above represents the pro-rated cash element of her fees to her departure date and the cash equivalent of her share entitlement to this date converted at the closing price on 13 November 2019, being £12.71.

Executive Directors' share scheme interests

| | Date of conditional award granted in the year | Price at award date | Award basis | Maximum receivable at 1 July 2019 | Awarded during the year ¹ | Vested/ released during the year ^{2,3} | Lapsed | Maximum receivable at 30 June 2020 |
|---------------------------------|---|---------------------|-----------------------------|-----------------------------------|--------------------------------------|---|----------|------------------------------------|
| Alan Hirzel | | | | | | | | |
| ABP – Deferred shares | 25 Oct 19 | £11.56 | Up to 45% base salary | 26,387 | 13,026 | (16,079) | — | 23,334 |
| LTIP | 14 Nov 19 | £12.71 | 400% base salary | 325,446 | 193,547 | (53,865) ² | (16,640) | 448,488 |
| SIP Free shares | — | — | — | 773 | — | (428) | — | 345 |
| SIP Matching shares | — | — | — | 412 | — | (227) | — | 185 |
| SIP Dividend shares | 29 Nov 19 & 17 Apr 20 | £13.26 & £11.24 | Per scheme rules | 177 | 58 | (56) | — | 179 |
| | | | | 353,195 | 206,631 | (70,655) | (16,640) | 472,531 |
| Michael Baldock | | | | | | | | |
| LTIP ⁵ | 9 Mar 20 | £12.71 | 2019 LTIP (200%) | — | 62,942 | — | — | 62,942 |
| Recruitment Award ⁵ | 9 Mar 20 | £12.11 | Recruitment LTIP (£500,000) | — | 41,274 | — | — | 41,274 |
| | | | | — | 104,216 | — | — | 104,216 |
| Past Executive Directors | | | | | | | | |
| Gavin Wood⁴ | | | | | | | | |
| ABP – Deferred shares | — | — | Up to 45% base salary | 15,996 | — | (9,554) | — | 6,442 |
| LTIP | — | — | 200% base salary | 156,316 | — | (59,681) | (50,892) | 45,743 |
| SIP Free shares | — | — | Per scheme rules | 773 | — | (428) | — | 345 |
| SIP Matching shares | — | — | Per scheme rules | 412 | — | (227) | — | 185 |
| SIP Dividend shares | 29 Nov 19 | £13.26 | Per scheme rules | 36 | 11 | (6) | — | 41 |
| | | | | 173,533 | 11 | (69,896) | (50,892) | 52,756 |

- 2019 LTIP awards granted on 14 November 2019 for Alan Hirzel and 9th March 2020 for Michael Baldock will vest in November 2022, subject to performance. Michael Baldock's Recruitment Award will vest on the first, second and third anniversary of his hire date, being 3 February 2020, subject to performance. Alan Hirzel's Annual Bonus Plan Deferred Share Award will vest on 23 September 2021 subject to continuous employment.
- 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.
- The market price of shares released to Alan Hirzel under the ABP and LTIP during the year was £11.27 and £11.71, respectively, resulting in gains of £181,275 and £630,560, respectively. The market price of shares released to Gavin Wood under the ABP and LTIP during the year was £11.43 and £11.71, respectively, resulting in gains of £109,178 and £698,945, respectively.
- 30 June 2020 figures show Gavin Wood's share scheme interests as at his termination date.
- Michael Baldock's Annual LTIP award was converted at the same price as the other Executive Director LTIP awards granted on 14 November 2019, being £12.71, and his Recruitment Award was granted at the 10-dealing day average share price preceding the date of grant, being £12.11.

Share Incentive Plan (SIP)

No awards will be granted under the SIP while AbShare, the new global employee share purchase plan, is in place, except for Dividend reinvestments. None of the Executive Directors are eligible to participate in AbShare.

Executive 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. 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.

Interests in share awards following departure from the Company enable Executive Directors to remain aligned with the interests of shareholders for an extended period post-employment. For good leavers, deferred annual share awards, and LTIP awards subject to holding periods, will typically vest within normal timeframes.

Annual Report on Remuneration continued

Shareholdings for all Directors is set out as follows:

| | Beneficially owned 30 June 2020 | | | Value as a percentage of salary ³ | Beneficially owned 30 June 2019 | | | Value as a percentage of salary/fee ³ |
|-------------------------------------|--|--|------------|--|--|--|------------|--|
| | Not subject to retention conditions ¹ | Subject to retention conditions ² | Total | | Not subject to retention conditions ¹ | Subject to retention conditions ² | Total | |
| Executive Directors | | | | | | | | |
| Alan Hirzel | 145,009 | 35,246 | 180,255 | 390.7% | 108,230 | 29,978 | 138,208 | 310.0% |
| Michael Baldock | — | — | — | 0.0% | — | — | — | — |
| Past Executive Directors | | | | | | | | |
| Gavin Wood ⁴ | 35,901 | 15,778 | 51,679 | 182.8% | 11,912 | — | 11,912 | 50.9% |
| Non-Executive Directors | | | | | | | | |
| Jonathan Milner | 18,190,256 | 7,030 | 18,197,286 | | 19,926,619 | 6,196 | 19,932,815 | |
| Peter Allen | 12,000 | 2,961 | 14,961 | | 12,000 | — | 12,000 | |
| Louise Patten | 45,299 | 8,417 | 53,716 | | 45,299 | 7,291 | 52,590 | |
| Mara Aspinall | 5,070 | 7,852 | 12,922 | | 5,070 | 6,114 | 11,184 | |
| Giles Kerr | — | 460 | 460 | | — | — | — | |
| Past Non-Executive Directors | | | | | | | | |
| Sue Harris ⁴ | 6,403 | — | 6,403 | | | | | |

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. The 2018/19 figure for shares subject to and not subject to retention conditions for Alan Hirzel has been restated, while the overall shareholding is unchanged.

3 The share price as at 30 June 2020 being £13.33 (30 June 2019: £13.46) per share was used to value the beneficially owned shares of Alan Hirzel. For Gavin Wood, the closing share price on his termination date was used to value the beneficially owned shares, being £11.43.

4 For Gavin Wood and Sue Harris, the figure for beneficially owned shares is as at their respective termination dates.

Non-executive appointments at other companies

Michael Baldock was appointed NED at Jaws Acquisition Inc. in May 2020. Alan Hirzel did not serve as a NED elsewhere during the year.

CFO joining arrangements

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

Michael Baldock was appointed Executive Director on 3 February 2020, assuming the role of CFO. Michael has over 30 years of relevant functional and sector experience, and the Board believe that his deep sector expertise and knowledge of Abcam make him ideal to lead Abcam's financial and strategic growth plans. In determining his remuneration package, the Committee considered remuneration forfeited on joining Abcam; what is competitive among comparable companies; pay among the Company's wider workforce; and how to drive business performance by providing arrangements which fairly reflect experience and contribution to the success of the Company. As Michael is relocating from the US, relocation support has also been provided.

| Element | Agreed package | Commentary |
|----------------------------|---|---|
| Base Salary | £400,000 (gross) per annum | Set based on relevant market data for comparable companies, experience and skills of the individual, internal relativities and their current compensation package. |
| Benefits (fixed) | Private medical insurance (employee and spouse), life insurance (5x salary, employee) and annual medical screening (employee) | In light of Michael's transitional period relocating to the UK, he and his wife will be insured on Abcam's global medical insurance policy, rather than the standard UK medical insurance policy. |
| Benefits (flexible) | Allowance of 8% of base salary | Can be used towards pension and other employee benefits such as dental, critical illness cover, and more. 8% of base salary is aligned with wider UK workforce. |

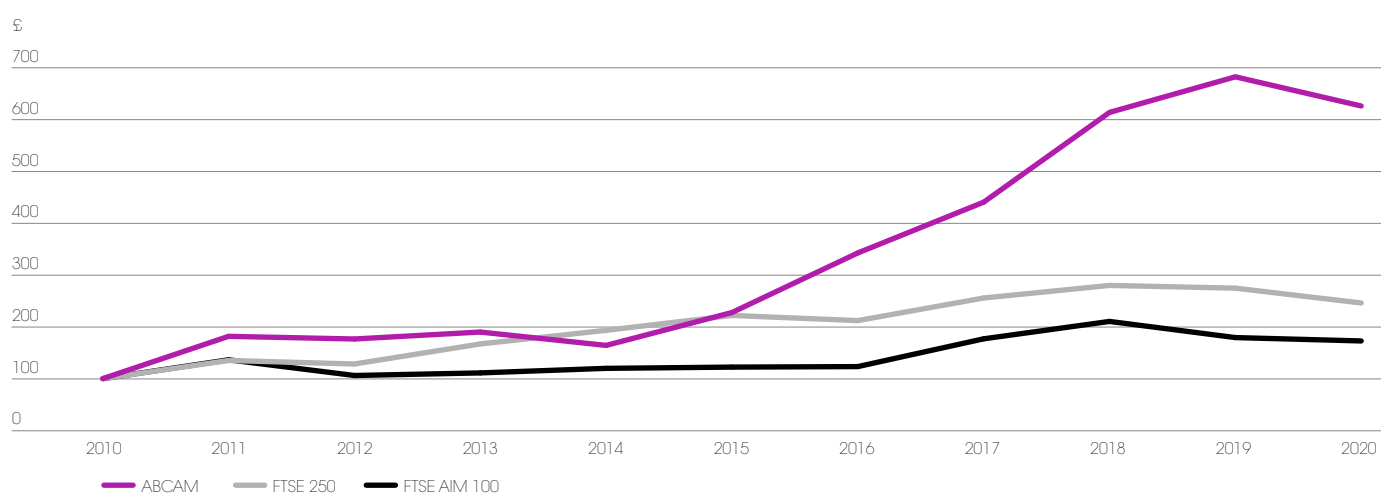
| Element | Agreed package | Commentary |
|-----------------------------------|--|--|
| Relocation support | £150,000 (gross) | One-off taxable commuting and relocation allowance, to be utilised within two years of start date. The allowance is conditional upon relocation and a two year clawback period applies to expenses claimed. |
| Annual Bonus (ABP) | Target bonus of 75% of base salary (150% of base salary at maximum) | <p>In accordance with the rules of the Plan, 70% of awards are delivered as cash and the remaining 30% is deferred in shares which vest over two years subject to continuous employment.</p> <p>Michael is eligible to participate in the FY19/20 Plan, pro-rated to the period he is employed during the financial year.</p> |
| Annual Long Term Incentive (LTIP) | 200% of base salary | <p>This award was granted on 9 March 2020 and was made on the same basis as the three-year performance conditions attached to the Executive Director LTIP awards granted in November 2019, with no pro-ration, as follows:</p> <ul style="list-style-type: none"> - 100% of salary on EPS and strategic targets; - 100% of salary on profitable revenue growth target <p>It will vest subject to performance criteria being achieved in November 2022 and the usual post-vesting restriction on sale requirements for the CFO will apply.</p> |
| Recruitment Award | Conditional share awards to the equivalent face value at grant of £500,000 | <p>This award was granted on 9 March 2020, converted into conditional share awards using the closing share price on the dealing day immediately preceding the date of grant, being £12.11. It will vest in three equal parts, on the first (tranche 1), second (tranche 2) and third (tranche 3) anniversaries of his appointment respectively, subject to:</p> <ul style="list-style-type: none"> - Michael remaining employed by Abcam plc or a successor company (and not under notice) on each anniversary of his date of appointment, as set out above; and - satisfaction of the same financial performance criteria as attached to the previously granted awards to the executive leadership team in 2017 (tranche 1), 2018 (tranche 2) & 2019 (tranche 3). |
| Other | <p>In addition to the above, the following support will be provided:</p> <ol style="list-style-type: none"> 1. obtaining the necessary visas for Michael and his wife; 2. annual tax compliance support for UK and US statutory filings. | |

UNAUDITED INFORMATION

Performance graph

The Company's Total Shareholder Return (TSR) since 2010 compared to a broad equity market is shown in the graph below and represents the value by 30 June 2020 of £100 invested in the Company's shares on 1 July 2010 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

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 |
|----------------|-----------------|---|--|---|
| 2019/20 | Alan Hirzel | 1,596 | 37.7% | 68.4% |
| 2018/19 | Alan Hirzel | 1,820 | 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% |

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.

² The 2018/19 figure has been restated to reflect the actual share price at vesting under the LTIP in November 2019.

Percentage change in remuneration

Abcam has an international workforce of approximately 1,500 employees in 15 locations. 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 2019 and 30 June 2020 for the CEO, CFO, Non-Executive Directors and this comparator group.

| | Salary/Fee | Benefits ¹ | Bonus ² |
|---|------------|-----------------------|--------------------|
| CEO percentage change | 2.5% | 0.0% | -30.6% |
| CFO percentage change | N/A | N/A | N/A |
| Non-Executive Director change | 0.0% | N/A | N/A |
| Comparator group percentage change ³ | 2.5% | 0.0% | -24.3% |

1 Benefits entitlement as a percentage of salary.

2 Annual bonus award for the financial year paid in October following the end of the year.

3 Comparator group is inclusive of promotions in the annual salary review cycle.

CEO and employee pay ratios

The table below sets out the ratios of the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a fulltime equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the Regulations).

| | Pay ratios |
|---------------------------|------------|
| 25th percentile pay ratio | 54:1 |
| 50th percentile pay ratio | 37:1 |
| 75th percentile pay ratio | 26:1 |

| | Pay data (£000) | |
|------------------------|-----------------|-------|
| CEO | Base salary | 615 |
| | Total pay | 1,596 |
| 25th percentile | Base salary | 27 |
| | Total pay | 29 |
| 50th percentile | Base salary | 39 |
| | Total pay | 43 |
| 75th percentile | Base salary | 55 |
| | Total pay | 60 |

The comparison with UK employees is specified by the Regulations. This group comprises approximately 40% of our total employee population. The Regulations provide flexibility to adopt one of three methods of calculation. We have chosen Option A which is the calculation based on all UK employees on a full-time equivalent basis. The ratios are based on total pay which includes base salary, pension and benefits, bonus and equity awards under our share plans. The CEO pay figure is as shown in the single total figure of remuneration table on page 84. For UK employees, quartile data has been determined as at 30 June 2020, with calculations based on actual pay data. Forecast outcomes have been used for bonus plan and LTIP outcomes. AbShare, our global employee share purchase plan, will vest in November 2021, subject to performance, and is therefore not yet reflected in the calculation.

Annual Report on Remuneration continued

All employee alignment - AbShare

We operate a multi-award winning global employee share purchase plan, AbShare, to support 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. In return, Abcam 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.

Over 90% of colleagues chose to join AbShare and the plan has gained external recognition, winning 2019 Global Equity Organisation (GEO) award for 'Most Innovative and Creative Plan Design (companies with <5,000 employees)'; and 2019 ProShare awards for 'Best new share plan' and 'Best overall performance in fostering employee share ownership (<5,000 employees)'.

Relative importance of spend on pay

The table below shows Abcam's dividend payout increased by 0.4% versus the total Group staff costs increase of 24.2% between the financial years ended 30 June 2019 and 30 June 2020.

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m | % increase ³ |
|---|----------------------------------|----------------------------------|-------------------------|
| Dividends in respect of the financial year ¹ | 25.0 | 24.9 | 0.4% |
| Total Group staff costs ² | 90.4 | 72.8 | 24.2% |

1 Dividends are the interim and final dividends paid in respect of the financial year ended 30 June 2019, and the interim dividend paid and the final dividend recommended in respect of the financial year ended 30 June 2020.

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.

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, the SVP, Human Resources and the Global Reward Director, it also determines the remuneration of the Executive Directors and proposes a fee for the Chairman of the Board of Directors (with the Chairman not being present for any discussions on his fee). The remuneration of the NEDs is determined by the Chairman and the Executive Directors.

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

The Committee currently comprises four NEDs, each of whom the Company deems to be independent: Peter Allen, Louise Patten, Mara Aspinall, and Giles Kerr. Louise Patten is chairman of the Committee.

The Chief Executive Officer, Company Secretary, the SVP, Human Resources and Global Reward Director 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 four independent members of the Committee have no conflicts of interest arising from cross-directorships. Members of the Committee have no day-to-day involvement in the running of the Company. The Committee met seven times during the year. Details of attendance can be found in the Corporate Governance Report (see page 66).

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 and global employment tax services on a time and materials basis. | £26,375 |

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.

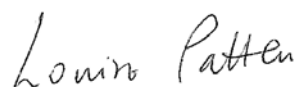
Statement of voting at general meeting

The table below shows the advisory vote on the 2019 Annual Report on Remuneration and on the current Directors' Remuneration Policy at the 2019 and 2018 AGMs, respectively.

| | Votes for | | Votes against | | Votes total | Votes withheld |
|--------------------------|-------------|-------|---------------|-------|-------------|----------------|
| | Number | % | Number | % | | |
| Remuneration Report | 127,157,195 | 96.67 | 4,386,233 | 3.33 | 131,543,428 | 3,832,272 |
| 2018 Remuneration Policy | 141,003,710 | 86.65 | 21,715,387 | 13.35 | 162,719,097 | 1,385,586 |

Approval

Approved by the Board and signed on its behalf by:



Louise Patten

Remuneration Committee Chairman

12 September 2020

Directors' Report

The Directors present their Report together with the audited consolidated financial statements for the year ended 30 June 2020.

Pages 1 to 96 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.

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 2018 (2018 Code), can be located as follows:

| Disclosure | Location |
|--|--|
| Likely future developments | Throughout the Strategic Report on pages 1 to 57 |
| Research and development activities | Our value creation model on pages 14 to 38 and Financial review on page 42 |
| Financial instruments and risk management | Note 26 to the consolidated financial statements |
| Greenhouse Gas reporting | Page 36 |
| Shareholder, employee and other stakeholder engagement | Stakeholder report on pages 59 to 62, and on pages 71 and 72 |

Dividends

Following the interim results in March, the Group consulted with its major shareholders with regards to its dividend policy. As stated at that time, the Board sees significant opportunities for further profitable growth and attractive returns on investment and believes that the best way to maximise shareholder value over the long-term is to increase the Group's flexibility to invest in attractive growth opportunities as they arise. This view was endorsed by a significant majority of the Group's major shareholders and accordingly, the Board has decided not to declare a final dividend. The Board will continue to review the Group's dividend policy, with future distributions reflecting the cash generation and capital needs of the Company. This means the total dividend for the financial year ended 30 June 2020 was 3.55 pence per share (2018/19: 12.13 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 23 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 27 to the financial statements. Shares held by Equiniti Share Plan Trustees Limited 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 material 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, subject to the satisfaction of certain conditions.

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 88) are set out below:

| | At 31 August 2020 | |
|--------------------------------|--------------------------------|------------------------------------|
| | Number of ordinary shares held | Percentage of issued share capital |
| T Rowe Price Associates, Inc | 20,583,612 | 9.52% |
| Durable Capital Partners, L.P. | 14,375,076 | 6.65% |
| Harding Loevner LLC | 11,521,339 | 5.33% |
| Standard Life Aberdeen | 10,579,075 | 4.90% |
| Baillie Gifford & Co Ltd | 9,847,737 | 4.56% |
| Invesco Advisors Inc | 8,188,757 | 3.79% |
| BlackRock Inc | 7,370,806 | 3.41% |

As at 12 September 2020 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 13 November 2019, to purchase through the market 20,574,494 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 Michael Baldock, who replaced Gavin Wood as Chief Financial Officer on 3 February 2020) are set out on pages 68 and 69. 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 2018 Code Provision 18 and therefore all Directors shall retire and all Directors, save for Jonathan Milner, shall stand for re-election at the AGM to be held on 4 December 2020.

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 set out on pages 53 to 57 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 our registered office at Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX, UK on 4 December 2020 at midday. 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 2020, 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, comprising 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; and
- 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 68 and 69, 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; and
- 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 2018 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 2018 Code, the Board believes that it is appropriate for Abcam to comply with the 2018 Code. For the year ended 30 June 2020, we have complied with all of the principles and provisions of the 2018 Code, except as follows:

- **Membership of the Audit & Risk Committee.** Code 2018 Provision 24 states that the chair should not be a member Audit & Risk Committee. This Provision was not implemented in full as Peter Allen was a member of the Audit & Risk Committee until he relinquished his position on the committee on 2 June 2020.
- **Post-employment shareholding requirements.** 2018 Code Provision 36 has not been implemented in full as the Remuneration Committee does not have a formal policy for post-employment shareholding requirements.

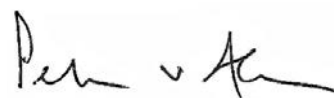
Provision of information to the auditor

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

12 September 2020



Marc Perkins
General Counsel and Company Secretary

12 September 2020

Financial statements

Our independently audited statutory accounts provide in-depth and insightful disclosure on the financial performance and position of the Group.

Financial statements

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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 2020 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 2020 (the 'Annual Report'), which comprise: the consolidated and Company balance sheets as at 30 June 2020; 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

| | |
|--------------------------|---|
| <p>Materiality</p> | <ul style="list-style-type: none"> - Overall group materiality: £2.7m (2019: £3.4m), based on 5% of the average of profit before tax (excluding the impact of impairment charges relating to intangible assets) for the current and previous two years. - Overall company materiality: £2.4m (2019: £2.9m), based on 5% of the average of profit before tax (excluding the impact of impairment charges relating to intangible assets) for the current and previous two years restricted by group materiality. |
| <p>Audit scope</p> | <ul style="list-style-type: none"> - We conducted audits of the complete financial information of Abcam plc, Abcam Inc, Abcam (Netherlands) B.V. 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. |
| <p>Key audit matters</p> | <ul style="list-style-type: none"> - Taken together, the Group companies, as well as the consolidation adjustments, over which we performed our audit procedures accounted for 65% 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 - Valuation of the intangible assets acquired in the Expedeon acquisition – Group - Classification of system and process improvement costs – Group - Impact of COVID-19 – 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

Valuation of intangible assets acquired in the Expedeon acquisition – Group

The Group has made a number of acquisitions in the year, the most significant being the acquisition, on 1 January 2020, of Expedeon's proteomics and immunology business, for total cash consideration of €122.5m (£104.2m). As part of the acquisition, intangible assets of £47.7m were acquired.

There is estimation required of the future expected cash flows to be generated by these assets. In addition specialist valuation knowledge is required in the identification and valuation of the acquired intangible assets and the Directors used external valuation experts to assist in their calculation. (See note 29 to the consolidated financial statements and page 77 of the Audit and Risk Committee Report).

How our audit addressed the key audit matter

With the assistance of our internal valuation specialists, we assessed the assumptions used in determining the fair value of the acquired intangibles. In particular:

- we assessed the completeness of identified intangible assets and the appropriateness of methods used to determine the fair value;
- we considered whether the discount rate used by the external valuation specialists, was appropriate;
- we obtained an understanding of the anticipated cash flows included within the valuation model. We focused our testing on the revenue growth included within the model, which we believed to be the most significant estimate, and we assessed growth in the key revenue streams from the disaggregated revenue forecasts. We held discussions with management outside of the finance function to understand the rationale for the growth rates for the key revenue streams, and compared them both to overall market growth rates, growth rates achieved historically by the acquired business and that of Abcam itself; and
- we tested the mathematical accuracy of the calculations performed.

We found no material exceptions in our testing.

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

Report on the audit of the financial statements continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Classification of system and process improvement costs – Group</p> <p>During the year the Group incurred costs of £4.3m in relation to the system and process improvement project which did not meet the criteria for capitalisation and, as such, have been expensed to the consolidated income statement. As the costs were incremental, they have been included in the reconciliation of the Group's adjusted performance measures (see note 7 to the consolidated financial statements and page 77 of the Audit and Risk Committee Report).</p> <p>The Group's adjusted profit before tax and adjusted operating margin, which are two of the Group's KPIs and are discussed in the 'Our 2020 performance: CFO's review' section, are directly impacted by the amounts included in the reconciliation of the Group's adjusted performance measures.</p> <p>We focused on 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.</p> | <p>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.</p> <p>We found no material exceptions in our testing.</p> |
| <p>Impact of COVID-19 – Group and Company</p> <p>COVID-19 was declared a global pandemic by the World Health Organisation (WHO) on 11 March 2020 and the ongoing response is having an unprecedented impact on the economy, which was considered as part of the audit.</p> <p>The Directors have considered the risks posed by COVID-19, as set out in the risk overview section, and concluded that whilst the disruption and economic impact of the pandemic has had, and will continue to have, an impact on the trading performance of the Group, there is minimal impact in areas such as the assessments of going concern and the valuation of goodwill and other intangibles, that are likely to affect a number of other companies.</p> | <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none">- Reconsidered our risk assessment and, in light of the impact on the Group's trading, revised our materiality benchmark;- Held discussions with management to understand, in qualitative and quantitative terms, the impact of COVID-19 on business operations;- Considered the impact COVID-19 has had on areas such as going concern and the impairment assessments performed over goodwill and other intangible assets; and- Read management's disclosures in the financial statements. <p>From the procedures performed, we found that management's analysis had appropriately reflected the impact of COVID-19 on revenue in the relevant areas and that the disclosures within the financial statements are appropriate.</p> |

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 25 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Abcam plc, Abcam Inc, Abcam (Netherlands) B.V. and Abcam Trading (Shanghai) Co., Limited reporting units, which were individually financially significant and, together with consolidation adjustments accounted for 82% of the Group's revenue and 65% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at four further reporting units, two based in the US, one in 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 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 65% of the absolute profit before tax and 84% 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 | £2.7m (2019: £3.4m). | £2.4m (2019: £2.9m). |
| How we determined it | 5% of the average of profit before tax (excluding the impact of impairment charges relating to intangible assets), for the current and previous two years. | 5% of the average of profit before tax (excluding the impact of impairment charges relating to intangible assets), for the current and previous two years restricted by group materiality. |
| Rationale for benchmark applied | We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. As the group's profit before tax in the current year was impacted by COVID-19, we decided to change our benchmark this year to take into account the average trading performance of the Group's operations over the current and previous two years. In both the current and prior year, there was a significant non-cash charge relating to the impairment of intangible assets 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. As the Company's profit before tax in the current year was impacted by COVID-19, we decided to change our benchmark this year to take into account the average trading performance of the Company's operations over the current and previous two years. In both the current and prior year, there was a significant non-cash charge relating to the impairment of intangible assets 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 £1.0m and £2.4m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.1m (Group audit) (2019: £0.1m) and £0.1m (Company audit) (2019: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. |

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 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' 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 53 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 58 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' 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 96, 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 page 75 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, 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 auditors' 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 auditors' 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.

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

Other voluntary reporting

Going concern

The Directors have requested that we review the statement on page 58 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 53 to 58 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 Auditor.

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 Taylor (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cambridge

12 September 2020

Consolidated income statement

For the year ended 30 June 2020

| | Note | Year ended 30 June 2020 | | | Year ended 30 June 2019 | | |
|--|------|-------------------------|---------------------------|--------------|-------------------------|---------------------------|-------------|
| | | Adjusted* £m | Adjusting items* £m | Total £m | Adjusted* £m | Adjusting items* £m | Total £m |
| Revenue | 5 | 260.0 | — | 260.0 | 259.9 | — | 259.9 |
| Cost of sales | | (79.8) | — | (79.8) | (76.7) | — | (76.7) |
| Gross profit | | 180.2 | — | 180.2 | 183.2 | — | 183.2 |
| Selling, general and administrative expenses | | (118.3) | (13.1) | (131.4) | (88.9) | (23.2) | (112.1) |
| Research and development expenses | | (17.4) | (20.9) | (38.3) | (10.7) | (4.3) | (15.0) |
| Operating profit | 6 | 44.5 | (34.0) | 10.5 | 83.6 | (27.5) | 56.1 |
| Finance income | 9 | 0.7 | — | 0.7 | 0.6 | — | 0.6 |
| Finance costs | 9 | (2.8) | — | (2.8) | (0.3) | — | (0.3) |
| Profit before tax | | 42.4 | (34.0) | 8.4 | 83.9 | (27.5) | 56.4 |
| Tax | 10 | (7.7) | 11.8 | 4.1 | (16.5) | 5.1 | (11.4) |
| Profit for the year attributable to the equity shareholders of the parent | | 34.7 | (22.2) | 12.5 | 67.4 | (22.4) | 45.0 |
| Earnings per share | | | | | | | |
| Basic earnings per share | 11 | 16.7p | | 6.0p | 32.9p | | 22.0p |
| Diluted earnings per share | 11 | 16.6p | | 6.0p | 32.6p | | 21.8p |

* Adjusted figures exclude impairment of intangible assets, systems and process improvement costs, acquisition costs, integration and reorganisation costs, amortisation of acquisition intangibles, the tax effect of adjusting items and certain individual specific tax items. 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 2020

| | Note | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|------|----------------------------------|----------------------------------|
| Profit for the year attributable to the equity shareholders of the parent | | 12.5 | 45.0 |
| Items that may be reclassified to the income statement in subsequent years | | | |
| Movement on cash flow hedges | 26 | 0.7 | (1.7) |
| Exchange differences on translation of foreign operations | | 9.6 | 7.0 |
| Movement in fair value of investments | | 4.0 | (0.1) |
| Tax relating to components of other comprehensive income | | (1.5) | 0.3 |
| Other comprehensive income for the year | | 12.8 | 5.5 |
| Total comprehensive income for the year | | 25.3 | 50.5 |

Consolidated balance sheet

As at 30 June 2020

| | Note | 30 June 2020 £m | 30 June 2019 £m |
|---|------|--------------------|--------------------|
| Non-current assets | | | |
| Goodwill | 12 | 192.8 | 120.9 |
| Intangible assets | 13 | 154.4 | 106.7 |
| Property, plant and equipment | 14 | 43.3 | 37.1 |
| Right-of-use assets | 15 | 121.4 | — |
| Investments | 16 | 7.0 | 0.8 |
| Deferred tax asset | 17 | 13.7 | 9.4 |
| | | 532.6 | 274.9 |
| Current assets | | | |
| Inventories | 18 | 40.7 | 36.0 |
| Trade and other receivables | 19 | 44.4 | 43.1 |
| Current tax receivable | | 6.4 | 5.4 |
| Derivative financial instruments | 20 | — | 0.2 |
| Cash and cash equivalents | | 187.3 | 87.1 |
| | | 278.8 | 171.8 |
| Total assets | | 811.4 | 446.7 |
| Current liabilities | | | |
| Trade and other payables | 21 | (43.8) | (41.8) |
| Derivative financial instruments | 20 | (1.2) | (2.0) |
| Lease liabilities | 15 | (7.3) | — |
| Borrowings | 22 | (106.4) | — |
| Current tax liabilities | | (0.9) | (1.5) |
| | | (159.6) | (45.3) |
| Net current assets | | 119.2 | 126.5 |
| Non-current liabilities | | | |
| Deferred tax liability | 17 | (28.7) | (16.5) |
| Lease liabilities | 15 | (120.5) | — |
| Derivative financial instruments | 20 | — | (0.1) |
| | | (149.2) | (16.6) |
| Total liabilities | | (308.8) | (61.9) |
| Net assets | | 502.6 | 384.8 |
| Equity | | | |
| Share capital | 23 | 0.4 | 0.4 |
| Share premium account | | 138.2 | 27.0 |
| Merger reserve | 23 | 68.6 | 68.1 |
| Own shares | 23 | (2.5) | (2.8) |
| Translation reserve | 23 | 42.9 | 33.3 |
| Hedging reserve | 23 | (0.7) | (1.3) |
| Retained earnings | | 255.7 | 260.1 |
| Total equity attributable to the equity shareholders of the parent | | 502.6 | 384.8 |

The consolidated financial statements were approved by the Board of Directors on 12 September 2020 and signed on its behalf by:



Michael Baldock
Director

Consolidated statement of changes in equity

For the year ended 30 June 2020

| | 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 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 | 24 | — | — | — | — | — | — | (24.9) | (24.9) |
| Balance as at 30 June 2019, as previously reported | | 0.4 | 27.0 | 68.1 | (2.8) | 33.3 | (1.3) | 260.1 | 384.8 |
| Implementation of IFRS 16 | | — | — | — | — | — | — | (1.5) | (1.5) |
| Balance as at 30 June 2019, as adjusted | | 0.4 | 27.0 | 68.1 | (2.8) | 33.3 | (1.3) | 258.6 | 383.3 |
| Profit for the year | | — | — | — | — | — | — | 12.5 | 12.5 |
| Other comprehensive income | | — | — | — | — | 9.6 | 0.6 | 2.6 | 12.8 |
| Total comprehensive income | | — | — | — | — | 9.6 | 0.6 | 15.1 | 25.3 |
| Issue of ordinary shares | | — | 111.2 | 0.5 | 0.3 | — | — | (0.3) | 111.7 |
| Share-based payments inclusive of deferred tax | | — | — | — | — | — | — | 7.4 | 7.4 |
| Purchase of own shares | | — | — | — | — | — | — | (0.1) | (0.1) |
| Equity dividends | 24 | — | — | — | — | — | — | (25.0) | (25.0) |
| Balance as at 30 June 2020 | | 0.4 | 138.2 | 68.6 | (2.5) | 42.9 | (0.7) | 255.7 | 502.6 |

Consolidated cash flow statement

For the year ended 30 June 2020

| | Note | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|--|--------|----------------------------------|----------------------------------|
| Cash generated from operations | 25 | 65.4 | 83.7 |
| Net income taxes paid | | (2.4) | (13.5) |
| Net cash inflow from operating activities | * | 63.0 | 70.2 |
| Investing activities | | | |
| Interest income | | 0.7 | 0.6 |
| Purchase of property, plant and equipment | * | (12.7) | (17.7) |
| Purchase of intangible assets | * | (23.0) | (22.7) |
| Transfer of cash (to)/from escrow in respect of future capital expenditure | * | (0.6) | 4.5 |
| Purchase of investments | | (2.2) | — |
| Net cash outflow arising from acquisitions | 29 | (110.3) | (14.6) |
| Net cash outflow from investing activities | | (148.1) | (49.9) |
| Financing activities | | | |
| Dividends paid | 24 | (25.0) | (24.9) |
| Principal element of lease obligations | * | (6.8) | — |
| Interest element of lease obligations | * | (0.9) | — |
| Interest paid | | (0.8) | (0.1) |
| Proceeds on issue of shares | | 111.2 | 1.4 |
| Facility arrangement fees | | — | (0.9) |
| Utilisation of revolving credit facility | (i) 22 | 127.0 | — |
| Repayment of revolving credit facility | (i) 22 | (20.0) | — |
| Purchase of own shares | | (0.1) | (0.2) |
| Net cash inflow/(outflow) from financing activities | | 184.6 | (24.7) |
| Increase/(decrease) in cash and cash equivalents | | 99.5 | (4.4) |
| Cash and cash equivalents at beginning of year | | 87.1 | 90.2 |
| Effect of foreign exchange rates | | 0.7 | 1.3 |
| Cash and cash equivalents at end of year | (ii) | 187.3 | 87.1 |
| Free Cash Flow | (iii) | 19.0 | 34.3 |

- (i) During the year, drawings on the RCF comprised an initial amount of €120.0m (£103.4m) to fund the purchase of Expedeon (as set out in note 29). In February 2020, a partial repayment amounting to £20.0m was made and the remaining borrowings redenominated into Sterling, leaving an outstanding balance of £82.0m. In March 2020, a subsequent drawing of £25.0m was made in order to provide operational flexibility in light of the COVID-19 pandemic bringing amounts drawn to £107.0m. The maximum amount drawn under the RCF during the year was £107.0m.
- (ii) Within cash and cash equivalents is £0.9m of cash relating to employee contributions to the Group's share scheme 'AbShare', which is reserved for the purpose of purchasing shares upon vesting.
- (iii) Free Cash Flow comprises those items marked * and comprises net cash generated from operating activities less net capital expenditure, transfer of cash from/(to) escrow in respect of future capital expenditure and the principal and interest elements of lease obligations.

Notes to the consolidated financial statements

For the year ended 30 June 2020

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 day-to-day operating activities 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, including the effects of COVID-19. 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 IFRS 16 'Leases'

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 recognises 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) where recognition exemption applies or where the underlying asset value is low.

Right-of-use assets are measured at cost, less any accumulated depreciation and lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use assets are depreciated over the shorter of their estimated useful lives or lease term. Right-of-use assets are also subject to impairment testing.

At the commencement of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at either the transition date or lease commencement date, if later, if the interest rate implicit in the lease is not readily determinable. After the transition or commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by payments made. The carrying amount of lease liabilities is remeasured if there is a modification or a change to the lease.

Before the adoption of IFRS 16, the Group classified its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Historically, all of the Group's leases have been classified as operating leases whereby the leased asset was not capitalised, and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. The Group has taken advantage of the practical expedient to not perform reassessments of whether a contract is, or contains, a lease.

The Group has taken advantage of the modified retrospective transition method whereby on transition, a lease liability is recognised as the present value of future payments and an 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 the transition date or lease commencement date if later. The income statement and balance sheet for prior periods have not been restated. A transition adjustment of £1.5m is generated due to the difference between the value of the asset and liability.

The Group's income statement is impacted by the change in accounting standard as the fixed rental expense is replaced by a depreciation charge and an interest expense.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

2. New accounting standards, amendments and interpretations continued

For the year ended 30 June 2020 these changes increased operating profit by £2.4m comprising an increase in depreciation of £6.7m offset by the reduction in rent expense of £9.1m relating to the previous treatment as operating leases. Finance costs increased by £1.5m relating to the additional lease liabilities recognised, resulting in an overall increase in profit before tax of £0.9m.

Based on its current lease portfolio, the long-term impact to the Group's reported profit after tax is expected to be immaterial with a 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.

On transition the weighted average incremental borrowing rate was 1.6%, 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 no material lessor arrangements but does sublet space in multiple locations. Subleases are recognised by a reduction in the right-of-use asset and recognition of a lease receivable.

The impact of transitioning to IFRS 16 on the 1 July 2019 to each balance sheet line item is as follows:

| | 30 June 2019 as previously reported £m | IFRS 16 adjustments £m | 1 July 2019 as adjusted £m |
|--|--|------------------------------|----------------------------------|
| Right-of-use assets | — | 70.8 | 70.8 |
| Trade and other receivables | 43.1 | 0.3 | 43.4 |
| Current lease liabilities | — | (6.5) | (6.5) |
| Trade and other payables | (41.8) | 3.6 | (38.2) |
| Non-current lease liabilities | — | (69.7) | (69.7) |
| Retained earnings | 260.1 | (1.5) | 258.6 |
| Total attributable to equity shareholders of the parent | 384.8 | (1.5) | 383.3 |

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, including revenue generated from products sold from the Group's catalogue and IVD and which represents the significant majority of the Group's revenue, is recognised upon delivery to the customer or the point at which the customer takes control of the goods if this is sooner.

Custom product and service revenue, which can be the provision of a service or the development of products for customers, is recognised at the point at which a milestone, as defined in the contract, has been completed. Each milestone is typically aligned to a customer deliverable, for example, the amount of services provided, a deliverable

arising from the services or the number of products successfully developed and provided to customers, 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 upon 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

Accounting policy applied until 30 June 2019

To the extent that the terms of a lease transferred substantially all the risks and rewards of ownership to the lessee, leases were classified as finance leases. All other leases were classified as operating leases.

Rentals payable under operating leases were 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 were also spread on a straight-line basis over the lease term.

Accounting policy applied from 1 July 2019 (IFRS 16)

Leased assets are capitalised on inception of the lease as right-of-use assets. A corresponding lease liability, representing the present value of the lease payments is also recognised and split between current and non-current liabilities accordingly.

The lease liability includes; fixed payments, variable lease payments dependent on an index or rate (initially measured using the index or rate on the lease commencement date) and in substance fixed payments. The variable aspect of variable payments are recognised when the rate or index takes effect resulting in an adjustment to the liability and right-of-use asset. Currently the Group's lease portfolio does not contain variable or in substance lease payments.

The discounted lease liability is calculated where possible using the interest rate implicit in the lease or where this is not attainable the incremental borrowing rate is utilised. The incremental borrowing rate is the rate the Group would have to pay to borrow the funds necessary to obtain a similar asset under similar conditions. The Group calculates the incremental borrowing rate using risk free rate of the country where the asset is held, adjusted for length of the lease and a risk premium.

Lease payments are allocated against the principal and finance cost. Finance costs, representing the unwinding of the discount on the lease liability are charged to the income statement to produce a constant periodic rate of interest on the remaining liability.

Right-of-use assets are measured at cost including; the discounted initial lease liability, lease payments made at or before the commencement date, any initial direct costs reduced any lease incentives received.

3. Principal accounting policies continued

Right-of-use assets are depreciated over the shorter of the non-cancellable lease period and any extension options that are considered reasonably certain to be taken or the useful life of the asset. The Group's current leases run from 1–18 years.

Modifications to lease agreements result in remeasurement of the lease liability and right-of-use asset.

Short term leases, defined as less than one year, and also of low value, are recognised on a straight-line basis in the income statement.

There are no material lease agreements where the Group acts as a lessor.

Contracts may contain both lease and non-lease components. The Group allocates the contract consideration based on the relative stand alone selling prices or if this is not readily determinable based on the best estimates of the stand alone selling prices.

Foreign currencies

Foreign currency transactions are booked at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

The results of overseas subsidiaries are translated into Sterling using the average exchange rates during the year. Assets and liabilities are translated at the rates ruling at the balance sheet date. Goodwill arising on the acquisition of a foreign operation is treated as an asset of that foreign operation and as such is translated at the relevant foreign exchange rate at the balance sheet date. Exchange differences arising on this translation are recognised in the translation reserve.

Other exchange differences are recognised in the income statement in the period in which they arise except for where items are designated as hedging instruments or where there is a net investment hedge.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group has no further obligations once the contributions have been paid.

Taxation

Current tax payable is based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes certain items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. Where the current tax deduction in respect of share option exercises exceeds the share option accounting charge for the period, the excess is recorded in equity rather than the income statement.

The benefit of UK research and development is recognised under the UK's Research and Development Expenditure Credit (RDEC) scheme. The benefit is recorded as income included in profit before tax, netted against research and development expenses, as the RDEC is of the nature of a government grant.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to other comprehensive income or reserves, in which case the deferred tax is also dealt with in other comprehensive income or reserves respectively.

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

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 consolidated income statement in the period they are incurred.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

3. Principal accounting policies continued

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 to 11 years |

Patents, technology and know-how assets are only amortised once the development is complete and being utilised for their intended purpose; until this point the assets are deemed to be in progress.

Other intangibles:

These comprise software and expenditure on capitalised internally developed technology. Internally developed technology costs are recognised as an asset if and only if they meet the recognition criteria set out in IAS 38 Intangible Assets which are that:

- the project must be technically feasible;
- there must be the intention to complete the project and adequate resources to be able to do so;
- the ability to use or sell the asset or product is secure; and
- the future economic benefits must exceed the costs.

Intangible assets under construction are not amortised.

The principal expected useful lives are as follows:

| | |
|---------------------------------|---------------|
| Software | 3 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 | 2 to 5 years |
| Cell Line assets | 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. The valuation methodology is on a first in first out basis and 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.

Investments

Investments in shares are held at fair market value, with any revaluation gain or loss recorded through other comprehensive income.

3. Principal accounting policies continued

Trade and other receivables

Trade receivables (excluding derivative financial assets) are recognised at cost less allowances for the expected credit loss 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.

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 accounting judgement has been identified but other judgements exist which are considered to be key.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

4. Critical accounting judgements and sources of estimation uncertainty continued

a) Critical accounting judgements

Valuation of intangible assets

2020: No critical accounting judgements have been identified.

2019: 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 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 was judgemental and technically complex compounded by identifying and in particular, allocating the costs specifically related to each individual module in question. In this respect, an exercise to allocate historically incurred costs to each module was undertaken. This involved certain estimations and judgments to determine these allocations by apportioning those costs where there were allocations which were certain (for example, historical time records in respect of labour costs) to those where there was either less specific or no allocation to an individual module.

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 mainly of attributable salary costs and consumables used in the manufacture process) 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

Valuation of acquisition intangible assets

During the year the Group has made a number of acquisitions. (See note 29 for further details). Accounting for these in line with IFRS 3 (Business Combinations) requires the use of a number of assumptions and estimates in relation to the future cash flows associated with acquisition intangibles and the use of valuation techniques in order to arrive at the fair value of the intangible assets acquired. The assumptions applied were based on the best information available to management and valuation techniques were supported by third party valuation experts.

Nevertheless, the actual performance of these assets may differ from the valuations derived through this exercise.

In 2020, an assessment of the acquisition intangible in respect of In Vitro monoclonal antibody production technology acquired with AxioMx, Inc. in 2015 was undertaken. This also included further smaller amounts in respect of this technology which have been capitalised since acquisition as certain commercial feasibility milestones had been achieved.

An appraisal of the ability to utilise at scale this technology has been undertaken whereby although technical feasibility remains valid, the challenges to realise material commercial returns have resulted in the conclusion not to pursue further active development and substantive utilisation of this technology. As a result of this, the intangible asset in respect of this technology has been fully impaired.

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 regions based primarily on customers' location. Historically, the Group has reported its revenues by country, however, in order to align to the manner in which the Group now reports its geographical splits internally, revenues are now presented more regionally, but with China and Japan still reported as countries to reflect the manner in which these are managed and reported. Comparative figures have been re-presented accordingly. 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 2020 £m | Year ended 30 June 2019 £m | As at 30 June 2020 £m | As at 30 June 2019 £m |
| The Americas | 112.4 | 117.5 | 224.8 | 169.9 |
| EMEA | 69.3 | 67.1 | 224.4 | 91.6 |
| China | 39.5 | 39.9 | 7.4 | 3.8 |
| Japan | 18.8 | 16.9 | 0.6 | 0.1 |
| Rest of Asia Pacific | 20.0 | 18.5 | 61.7 | 0.1 |
| | 260.0 | 259.9 | 518.9 | 265.5 |

Revenue by type is shown below:

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|-------------------------------|----------------------------------|----------------------------------|
| Catalogue revenue | 243.1 | 242.8 |
| Custom products and services | 6.3 | 5.4 |
| IVD | 4.7 | 6.9 |
| Royalties and licences | 5.9 | 4.8 |
| Custom products and licensing | 16.9 | 17.1 |
| Total reported revenue | 260.0 | 259.9 |

Because all custom products and services 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

6. Operating profit

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

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|----------------------------------|----------------------------------|
| Cost of inventories recognised as an expense | 56.2 | 59.3 |
| Write down of inventories recognised as an expense | 2.8 | 1.4 |
| R&D expenditure (excluding UK tax credits) | 24.9 | 16.9 |
| UK R&D tax credits | (1.5) | (1.9) |
| Movements arising on financial instruments at fair value through profit or loss | — | 0.4 |
| Other net foreign exchange differences (including cash flow hedge movements reclassified from other comprehensive income) | (0.6) | (0.1) |

Auditor's remuneration comprised the following:

| | Year ended 30 June 2020 £000 | Year ended 30 June 2019 £000 |
|--|------------------------------------|------------------------------------|
| Audit services – Group and parent company | 279 | 178 |
| – Assurance services in respect of controls work for US compliance | 200 | — |
| – subsidiary companies pursuant to legislation | 8 | 8 |
| Total audit fees | 487 | 186 |
| Audit related assurance services – interim review | 22 | 22 |
| – services in respect of the Group's prospective US Listing | 76 | — |
| Other services | 1 | 1 |
| Total auditor remuneration | 586 | 209 |

Fees in respect of controls work for US compliance relate to additional controls work required to comply with the US Public Company Accounting Oversight Board (PCAOB) in preparation for a secondary listing in the US.

Audit related assurance services in respect of the Group's prospective secondary listing in the US relate to preparatory work on documents which will be required for the US Securities and Exchange Commission (SEC) where further fees are expected to be incurred in the year ending 30 June 2021 reflecting the timing of when the listing is expected to occur.

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 79.

7. Adjusted performance measures

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

| | Note | Year ended 30 June 2020 | | | Year ended 30 June 2019 | | |
|------------------------------|------|-------------------------|--------------------------|-------------|-------------------------|--------------------------|-------------|
| | | Adjusted £m | Adjusting items £m | Total £m | Adjusted £m | Adjusting items £m | Total £m |
| Operating profit | | 44.5 | (34.0) | 10.5 | 83.6 | (27.5) | 56.1 |
| Finance income | 9 | 0.7 | — | 0.7 | 0.6 | — | 0.6 |
| Finance costs | 9 | (2.8) | — | (2.8) | (0.3) | — | (0.3) |
| Profit before tax | | 42.4 | (34.0) | 8.4 | 83.9 | (27.5) | 56.4 |
| Tax | 10 | (7.7) | 11.8 | 4.1 | (16.5) | 5.1 | (11.4) |
| Profit for the period | | 34.7 | (22.2) | 12.5 | 67.4 | (22.4) | 45.0 |

| | | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|-------|----------------------------------|----------------------------------|
| Analysis of adjusting items | | | |
| Impairment of intangible assets | (i) | (14.9) | (12.8) |
| System and process improvement costs | (ii) | (4.3) | (4.5) |
| Acquisition costs | (iii) | (4.1) | — |
| Integration and reorganisation costs | (iv) | (2.1) | (3.7) |
| Amortisation of acquisition intangibles | (v) | (8.6) | (6.5) |
| Affecting operating profit and profit before tax | | (34.0) | (27.5) |
| Tax effect of adjusting items | | 7.2 | 5.3 |
| Credit arising from patent box claims | (vi) | 4.6 | — |
| Net tax effect of new US tax legislation | | — | (0.2) |
| Affecting tax | | 11.8 | 5.1 |
| Total adjusting items after tax | | (22.2) | (22.4) |

- (i) Comprises the full impairment of the acquisition intangible in respect of AxioMx in Vitro monoclonal antibody production technology (AxioMx acquired technology) and subsequent post acquisition expenditure capitalised. This has arisen following an appraisal of the ability to utilise at scale this technology whereby although technical feasibility remains valid, the challenges to realise material commercial returns have resulted in the conclusion not to pursue further active development and substantive utilisation of this technology. The impairment charge is included within research and development expenses. The appraisal in respect of this technology was part of a wider review and appraisal of all acquisition intangible assets which were considered for any potential indicators of impairment, such as any underperformance against previous forecasts. In respect of the Firefly BioWorks Multiplex and assay technology, although the target set out in the prior year had been exceeded, this was by a relatively small margin and as a result, further scrutiny was applied to acknowledge this. A value in use (VIU) assessment was performed and it was concluded that with a surplus of VIU over the carrying value representing 77% of the carrying value, that no impairment was present. However, achieving the forecasts is important in maintaining this surplus and in considering in particular the high growth in revenues assumed, to the extent that actual results adversely differ from this, this could cause the VIU to fall below the carrying value. An assessment of acquisition intangible assets of Applied StemCell which was acquired during the year are set out in note 29 (2018/19: The strategic ERP project is a complex, multi year global business transformation with numerous phases extending across multiple Group functions. Following achievement of an implementation milestone in April 2019, a review was undertaken of historical expenditure incurred to that point on outstanding modules to assess whether each element remained appropriate to the business's needs. Following the review, it was 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 were impaired. The charge was included within selling, general and administrative expenses).
- (ii) Comprises costs of the strategic ERP implementation which do not qualify for capitalisation. Such costs are included within selling, general and administrative expenses.
- (iii) Comprises legal and other professional fees associated with the acquisition of Expedeon as well as agreed settlements of Expedeon employee incentive schemes. Such costs are included within selling, general and administrative expenses.
- (iv) Integration and reorganisation costs relate partly to the integration of the acquired Expedeon business as described in note 29 (comprising mainly retention and severance costs as well as employee backfill costs for those involved in the integration and consultancy costs) and reorganisation costs in respect of alignment of the Group's operational structure and geographical footprint to its strategic goals (2018/19: Related to costs associated with major office fit outs, including the new Group headquarters, including dual running costs and depreciation prior to the building being occupied). Such costs are included within selling, general and administrative expenses.
- (v) £6.0m (2018/19: £4.3m) of amortisation of acquisition intangibles is included within research and development expenses, with the remaining £2.6m (2018/19: £2.2m) included within selling, general and administrative expenses.
- (vi) Comprises a credit for historical periods in respect of the initial recognition of benefit from the lower rate of tax applied to profits on patented income under HMRC's 'patent box' regime following successful registration of patents during the year.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

8. Employees

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

| | Year ended 30 June 2020 number | Year ended 30 June 2019 number |
|--|--------------------------------------|--------------------------------------|
| Management, administrative, marketing and distribution | 879 | 784 |
| Laboratory | 575 | 371 |
| | 1,454 | 1,155 |

Their aggregate remuneration comprised:

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|-----------------------------|----------------------------------|----------------------------------|
| Wages and salaries | 69.5 | 56.0 |
| Social security costs | 7.1 | 6.8 |
| Other pension costs | 4.5 | 3.5 |
| Share-based payments charge | 9.3 | 6.5 |
| Total staff costs | 90.4 | 72.8 |

The remuneration of the Directors, including rewards under share schemes, are set out in note 30 and the Annual Report on Remuneration on pages 80 to 93.

9. Finance income and costs

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|--|----------------------------------|----------------------------------|
| Interest receivable | 0.7 | 0.6 |
| Finance income | 0.7 | 0.6 |
| Interest expense on lease liabilities* | (1.5) | — |
| Borrowing costs | (1.3) | (0.3) |
| Finance costs | (2.8) | (0.3) |
| Net finance (costs)/income | (2.1) | 0.3 |

* On 1 July 2019, the Group adopted IFRS 16: 'Leases' using the modified retrospective transition method and as a result, prior year comparative figures have not been restated.

10. Tax

| | Note | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|------|----------------------------------|----------------------------------|
| Current tax | | | |
| Current income tax charge | | 4.8 | 9.7 |
| Adjustment in respect of prior years | | (0.9) | 0.2 |
| | | 3.9 | 9.9 |
| Deferred tax | | | |
| Origination and reversal of temporary differences | | (9.1) | 0.6 |
| Adjustment in respect of prior years | | 0.9 | 1.1 |
| Effect of tax rate change | | 0.2 | (0.2) |
| | 17 | (8.0) | 1.5 |
| Total income tax (credit)/charge | | (4.1) | 11.4 |
| Adjusted income tax charge* | | 7.7 | 16.5 |

* Adjusted income tax charge excludes the tax effects of adjusting items, a credit arising from historical patent box claims and for 2019, the impact on tax arising from new US tax legislation, all of which are set out in note 7.

The Group reported a net tax credit of £4.1m (2018/19: charge of £11.4m). This decrease was partially due to a reduction in profit before tax to £8.4m (2018/19: £56.4m) and also from a credit of £6.0m representing the initial recognition 'patent box' benefit where a lower rate of tax is applied to profits on patented income and also includes a historical element of £4.6m for years 2016 to 2019 which is shown within adjusting items. The adjusting items have a beneficial effect of £11.8m on the tax charge which results in an effective tax rate on adjusted profits of 18.0% (2018/19: 19.7%). This is lower than 2018/19 and also lower than the UK statutory rate of 19.0%, due mainly to the £1.4m patent box benefit applicable to the current year.

The UK corporation tax rate for the year was 19.0% (2018/19: 19.0%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In line with Finance Act 2016, from April 2020, the UK corporate tax rate was to reduce to 17.0%. The Government announced in the Budget on 11 March 2020, that the rate applicable from 1 April 2020 would remain at 19.0% rather than reduce to 17.0% and this was enacted on 17 March 2020. This 19% rate has been 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 2020 £m | Year ended 30 June 2019 £m |
|--|----------------------------------|----------------------------------|
| Profit before tax | 8.4 | 56.4 |
| Tax at the UK corporation tax rate of 19.0% (2018/19: 19.0%) | 1.6 | 10.7 |
| Adjustment in respect of overseas tax rates | (1.3) | 1.4 |
| Adjustments in respect of prior years | — | 1.3 |
| Effect of 'patent box' benefit | (6.0) | — |
| Tax effect of non-taxable income | 1.4 | (0.9) |
| Relief in relation to overseas entities | — | (0.3) |
| Overseas R&D tax credit uplift | (0.5) | (0.6) |
| Overseas withholding tax | 0.5 | — |
| Effect of tax rate change on deferred tax balances | 0.2 | (0.2) |
| Tax (credit)/expense for the year | (4.1) | 11.4 |

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

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.

| | Note | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|--|------|----------------------------------|----------------------------------|
| Earnings | | | |
| Profit attributable to equity shareholders of the parent – adjusted | | 34.7 | 67.4 |
| Adjusting items | 7 | (22.2) | (22.4) |
| Profit attributable to equity shareholders of the parent – reported | | 12.5 | 45.0 |

| | Million | Million |
|---|--------------|---------|
| Number of shares | | |
| Weighted average number of ordinary shares in issue | 208.0 | 205.4 |
| Less ordinary shares held by Equiniti Share Plan Trustees Limited | (0.4) | (0.5) |
| Weighted average number of ordinary shares for the purposes of basic EPS | 207.6 | 204.9 |
| Effect of potentially dilutive ordinary shares – share options and awards | 2.0 | 1.8 |
| Weighted average number of ordinary shares for the purposes of diluted EPS | 209.6 | 206.7 |

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 2020 | Year ended 30 June 2019 |
|----------------------|----------------------------|----------------------------|
| Basic EPS | 6.0p | 22.0p |
| Diluted EPS | 6.0p | 21.8p |
| Adjusted basic EPS | 16.7p | 32.9p |
| Adjusted diluted EPS | 16.6p | 32.6p |

12. Goodwill

| | Note | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---------------------------------|------|----------------------------------|----------------------------------|
| Cost and carrying amount | | | |
| At beginning of year | | 120.9 | 114.2 |
| Additions | 29 | 66.1 | 2.8 |
| Exchange differences | | 5.8 | 3.9 |
| At end of year | | 192.8 | 120.9 |

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).

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 and has been based on third party long-term growth rate forecasts which are based on GDP growth rates.

A pre-tax discount rate of 6.9% 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 2020

13. Intangible assets

| | Acquisition intangibles | | | | | | | Total £m |
|--|--|--|--------------------|-------------------|-----------------|----------------|---------------------------------------|--------------|
| | 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 | |
| Cost | | | | | | | | |
| At 1 July 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 | (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 |
| Additions | — | — | — | — | — | 15.0 | 9.0 | 24.0 |
| Acquisition | 1.8 | 48.0 | 0.4 | 1.1 | 51.3 | 0.1 | — | 51.4 |
| Exchange differences | 0.2 | 3.5 | 0.2 | 0.1 | 4.0 | — | 0.2 | 4.2 |
| At 30 June 2020 | 8.9 | 120.0 | 16.3 | 3.8 | 149.0 | 66.9 | 37.1 | 253.0 |
| Accumulated amortisation | | | | | | | | |
| At 1 July 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 | (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 |
| Charge for the year | 0.8 | 6.3 | 1.2 | 0.3 | 8.6 | 4.2 | 3.1 | 15.9 |
| Impairment | — | 14.7 | — | — | 14.7 | — | 0.2 | 14.9 |
| Exchange differences | 0.1 | 0.8 | 0.1 | 0.1 | 1.1 | — | — | 1.1 |
| At 30 June 2020 | 6.0 | 44.7 | 7.3 | 2.7 | 60.7 | 25.0 | 12.9 | 98.6 |
| Carrying amount | | | | | | | | |
| At 30 June 2019 | 1.8 | 45.6 | 9.7 | 0.3 | 57.4 | 31.0 | 18.3 | 106.7 |
| At 30 June 2020 | 2.9 | 75.3 | 9.0 | 1.1 | 88.3 | 41.9 | 24.2 | 154.4 |
| Included in carrying amount – Assets under construction | | | | | | | | |
| At 30 June 2019 | — | — | — | — | — | 14.7 | 3.9 | 18.6 |
| At 30 June 2020 | — | — | — | — | — | 28.7 | 7.2 | 35.9 |

Amortisation of £8.2m (2018/19: £6.2m) is included within Research and development expenses and £7.7m (2018/19: £4.4m) is included within Selling, general and administrative expenses.

A full impairment has been made of the acquisition intangible in respect of AxioMx in Vitro monoclonal antibody production technology and subsequent post acquisition expenditure. This has arisen following an appraisal of the ability to utilise at scale this technology whereby although technical feasibility remains valid, the challenges to realise material commercial returns have resulted in the conclusion not to pursue further active development and substantive utilisation of this technology. This expense is included within Research and development expenses. (2019: following achievement of a milestone in April 2019, the ERP implementation project, a review was undertaken of historical expenditure incurred to that date on outstanding modules included within software. It was concluded that as a result of changes in the scope and nature of the programme, assets of £12.8m were impaired. This expense was included within Selling, general and administrative expenses.). Further information is shown in note 7.

Capital commitments at 30 June 2020 amounted to £4.1m (2019: £nil).

13. Intangible assets continued

Individually material intangible assets

The Group's new ERP system is considered to be an individually material intangible asset. £11.3m is included within software which is being amortised over a five year period with a remaining amortisation period of four years with the remainder shown as software 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 |
|--|-----------------------|--|
| Expedeon CaptSure technology | 28.5 | 15 |
| Expedeon antibody labelling and conjugation technology | 20.8 | 15 |
| Epitomics RabMAb® technology | 12.6 | 6 |
| Firefly BioWorks Multiplex and assay technology | 14.7 | 9 |
| Roche licence agreement | 7.9 | 8 |

14. Property, plant and equipment

| | Laboratory equipment £m | Office fixtures, fittings and other equipment £m | Cell line assets £m | Leasehold improvements £m | Total £m |
|---|-------------------------------|--|------------------------|---------------------------------|-------------|
| Cost | | | | | |
| At 1 July 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 |
| As 30 June 2019 | 23.0 | 15.1 | — | 20.1 | 58.2 |
| Additions | 7.0 | 1.3 | 4.2 | — | 12.5 |
| Acquisitions | 0.3 | 0.1 | — | 0.2 | 0.6 |
| Reclassification* | (1.4) | — | 1.4 | — | — |
| Disposals | — | (1.4) | — | — | (1.4) |
| Exchange differences | 0.4 | 0.4 | — | — | 0.8 |
| At 30 June 2020 | 29.3 | 15.5 | 5.6 | 20.3 | 70.7 |
| Accumulated depreciation | | | | | |
| At 1 July 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 |
| Charge for the year | 3.4 | 2.6 | 0.3 | 1.0 | 7.3 |
| Disposals | — | (1.4) | — | — | (1.4) |
| Exchange differences | 0.1 | 0.2 | — | 0.1 | 0.4 |
| At 30 June 2020 | 16.1 | 9.5 | 0.3 | 1.5 | 27.4 |
| Net book value | | | | | |
| At 30 June 2019 | 10.4 | 7.0 | — | 19.7 | 37.1 |
| At 30 June 2020 | 13.2 | 6.0 | 5.3 | 18.8 | 43.3 |
| Included in net book value - Assets under construction | | | | | |
| At 30 June 2019 | — | — | — | — | — |
| At 30 June 2020 | — | — | 1.2 | — | 1.2 |

* Cell line assets were previously categorised within Laboratory equipment. Following the addition during the year of £4.2m of cell line assets, these assets are now separately disclosed owing to scale of the balance.

Capital commitments at 30 June 2020 amounted to £1.8m (2019: £nil).

Notes to the consolidated financial statements continued
For the year ended 30 June 2020

15. Leases

Right-of-use assets

| | Land and Buildings £m | Other £m | Total £m |
|---------------------------------|--------------------------|-------------|--------------|
| Cost | | | |
| At 1 July 2019 | — | — | — |
| IFRS 16 transition adjustment | 70.6 | 0.2 | 70.8 |
| Additions | 58.7 | — | 58.7 |
| Disposals and other adjustments | (2.3) | — | (2.3) |
| Exchange differences | 0.9 | — | 0.9 |
| At 30 June 2020 | 127.9 | 0.2 | 128.1 |
| Accumulated amortisation | | | |
| At 1 July 2019 | — | — | — |
| Charge for the year | 6.6 | 0.1 | 6.7 |
| At 30 June 2020 | 6.6 | 0.1 | 6.7 |
| Carrying amount | | | |
| At 30 June 2020 | 121.3 | 0.1 | 121.4 |

Lease liabilities

Maturity analysis of lease liabilities:

| | Lease payments £m | Finance charges £m | Present value of lease liability £m |
|-----------------------------------|----------------------|-----------------------|--|
| Amounts falling due within | | | |
| One year | 9.4 | (2.1) | 7.3 |
| Between one and five years | 31.9 | (5.0) | 26.9 |
| Later than five years | 101.9 | (8.3) | 93.6 |
| | 143.2 | (15.4) | 127.8 |

The interest expense incurred on lease liabilities included within finance costs was £1.5m and income recognised from subleases was £0.8m. The lease expense relating to short term leases and low value assets (that are not shown in the tables above) was £0.3m. Cash outflows in respect of right-of-use assets were £7.7m.

The reconciliation between operating lease commitments previously reported for the year ended 30 June 2019, discounted at the Group's incremental borrowing rate, and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is as follows:

| | £m |
|---|-------------|
| Commitments disclosed at 30 June 2019 | 83.6 |
| Non lease commitments | (4.4) |
| Effect of discounting at incremental borrowing rate | (8.9) |
| Extension options reasonably certain to be taken | 2.5 |
| Lease incentives | 3.4 |
| Lease liability recognised at 1 July 2019 | 76.2 |

16. Investments

| | 30 June 2020 £m | 30 June 2019 £m |
|-------------|--------------------|--------------------|
| Investments | 7.0 | 0.8 |

The movement in the year comprises £4.0m in respect of the revaluation of investments to fair market value as described in note 3 and additions of £2.2m which were mainly in respect of a 13% stake in Brickbio, Inc. a company specialising in site-specific protein modification with a proprietary platform for introducing conjugation-ready sites into antibodies and other proteins in both mammalian and bacterial expression systems.

17. 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 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) |
| (Charge)/credit to income | (4.6) | — | 2.0 | 5.6 | 4.0 | 1.0 | 8.0 |
| Credit to equity | — | (0.1) | (1.8) | — | — | (1.4) | (3.3) |
| Reclassification | (0.5) | — | — | — | — | 0.5 | — |
| Arising on acquisition | — | — | — | (12.0) | — | — | (12.0) |
| Exchange differences | — | — | — | (0.7) | — | 0.1 | (0.6) |
| At 30 June 2020 | (9.2) | 0.2 | 4.2 | (19.5) | 5.3 | 4.0 | (15.0) |

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 2020 £m | 30 June 2019 £m |
|---|--------------------|--------------------|
| Deferred tax assets to be recovered | | |
| Within 12 months | 10.1 | 6.9 |
| After more than 12 months | 3.6 | 2.5 |
| | 13.7 | 9.4 |
| Deferred tax liabilities to be recovered | | |
| Within 12 months | (3.5) | (1.4) |
| After more than 12 months | (25.2) | (15.1) |
| | (28.7) | (16.5) |
| Deferred tax liabilities (net) | (15.0) | (7.1) |

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.

18. Inventories

| | 30 June 2020 £m | 30 June 2019 £m |
|-------------------------------------|--------------------|--------------------|
| Raw materials | 8.0 | 5.7 |
| Work in progress | 4.5 | 3.1 |
| Finished goods and goods for resale | 28.2 | 27.2 |
| | 40.7 | 36.0 |

Notes to the consolidated financial statements continued
For the year ended 30 June 2020

19. Trade and other receivables

| | 30 June 2020 £m | 30 June 2019 £m |
|---|--------------------|--------------------|
| Amounts receivable for the sale of goods and services | 31.7 | 29.4 |
| Less provision for bad and doubtful debts | (0.3) | (0.1) |
| | 31.4 | 29.3 |
| Other receivables | 8.3 | 9.4 |
| Prepayments | 4.7 | 4.4 |
| | 44.4 | 43.1 |

Ageing of trade receivables:

| | 30 June 2020 | | | 30 June 2019 | | |
|-------------------|--------------|-----------------|-----------|--------------|-----------------|-----------|
| | Gross £m | Provision £m | Net £m | Gross £m | Provision £m | Net £m |
| Not past due | 22.4 | — | 22.4 | 23.0 | — | 23.0 |
| Past due | | | | | | |
| 0 to 30 days | 3.6 | — | 3.6 | 3.8 | — | 3.8 |
| 30 to 60 days | 0.6 | — | 0.6 | 1.3 | — | 1.3 |
| More than 60 days | 5.1 | (0.3) | 4.8 | 1.3 | (0.1) | 1.2 |
| | 9.3 | (0.3) | 9.0 | 6.4 | (0.1) | 6.3 |
| | 31.7 | (0.3) | 31.4 | 29.4 | (0.1) | 29.3 |

Movement in provision for bad and doubtful debts

| | 30 June 2020 £m | 30 June 2019 £m |
|--|--------------------|--------------------|
| Balance at beginning of year | (0.1) | (0.1) |
| Impairment losses recognised in the income statement | (0.2) | — |
| Balance at end of year | (0.3) | (0.1) |

The average credit period taken for sales is 41 days (2019: 35 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.

20. Derivative financial instruments

30 June 2020

| | Current | | Non-current | Total £m |
|---|-------------|-----------------|-----------------|-------------|
| | Asset £m | Liability £m | Liability £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 | — | (0.8) | — | (0.8) |
| | — | (1.2) | — | (1.2) |

30 June 2019

| | Current | | Non-current | Total £m |
|---|-------------|-----------------|-----------------|-------------|
| | Asset £m | Liability £m | Liability £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) |

Further details of derivative financial instruments are provided in note 26

21. Trade and other payables

| | 30 June 2020 £m | 30 June 2019 £m |
|--|--------------------|--------------------|
| Amounts falling due within one year | | |
| Trade payables | 9.4 | 7.0 |
| Accruals and deferred income | 30.9 | 31.7 |
| Other taxes and social security | 1.0 | 1.0 |
| Other payables | 2.5 | 2.1 |
| | 43.8 | 41.8 |

At 30 June 2020, the Group had an average of 34 days of purchases (30 June 2019: 28 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.

Deferred income includes contract liabilities of £4.4m (2019: £4.0m) which represent consideration received for performance obligations not yet satisfied, in delivering products or services to customers. All deferred income is to be recognised within the next financial year.

Other payables includes £0.2m (2019: £0.7m) of deferred consideration payable on acquisitions.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

22. Borrowings

| | 30 June 2020 £m | 30 June 2019 £m |
|--|--------------------|--------------------|
| Amounts falling due within one year | | |
| Loan | (106.4) | — |

The loan comprises drawings on the Group's three year £200m Revolving Credit Facility (RCF) which was entered into in February 2019 and is shown net of unamortised facility arrangement fees. The RCF has a £100m accordion option which may be requested with prior notice at any time up to six months of the termination date. The initial term of this RCF has two extension options of one year each. The interest rate is the aggregate of a margin, which varies from 0.75% to 1.45% dependent on a debt cover ratio, over LIBOR or, in relation to any borrowing in Euro, EURIBOR, or in relation to any non-LIBOR currency, the benchmark rate for that currency. A non-utilisation fee is payable for any amounts available but undrawn and a utilisation fee is also payable for amounts drawn. Borrowings under this facility are unsecured.

During the year, drawings on the RCF comprised an initial amount of €120.0m (£103.4m) to fund the purchase of Expedeon (as set out in note 29). In February 2020, a partial repayment amounting to £20.0m was made and the remaining borrowings redenominated into Sterling, leaving an outstanding balance of £82.0m. In March 2020, a subsequent drawing of £25.0m was made in order to provide operational flexibility in light of the COVID-19 pandemic bringing amounts drawn to £107.0m. The maximum amount drawn under the RCF during the year was £107.0m.

23. Share capital and reserves

Share capital

| | 30 June 2020 £m | 30 June 2019 £m |
|---|--------------------|--------------------|
| Authorised, issued and fully paid: | | |
| 216,173,277 (2019: 205,671,564) 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.

On 9 April 2020, the Company issued 10,000,000 new ordinary shares of 0.2 pence each to Durable Capital Partners LP at an issue price of £11.00 per share, raising £110.0m. Other 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.

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 26.

| | 30 June 2020 | | 30 June 2019 | |
|------------|------------------------|---------|------------------------|---------|
| | Nominal value £'000 | Number | Nominal value £'000 | Number |
| Own shares | 1 | 434,268 | 1 | 484,811 |

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.

24. Dividends

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|----------------------------------|----------------------------------|
| Amounts recognised as distributions to the equity shareholders in the year: | | |
| 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 |
| Final dividend for the year ended 30 June 2019 of 8.58 pence per share | 17.7 | — |
| Interim dividend for the year ended 30 June 2020 of 3.55 pence per share | 7.3 | — |
| Total distributions to owners of the parent in the period | 25.0 | 24.9 |

25. Notes to the cash flow statement

| | Note | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|------|----------------------------------|----------------------------------|
| Operating profit | | 10.5 | 56.1 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 14 | 7.3 | 4.8 |
| Depreciation of right-of-use assets | 15 | 6.7 | — |
| Amortisation of intangible assets | 13 | 15.9 | 10.6 |
| Impairment of intangible assets | 13 | 14.9 | 12.8 |
| Derivative financial instruments at fair value through profit or loss | 6 | — | 0.4 |
| Research and development expenditure credit | 6 | (1.5) | (1.9) |
| Share-based payments charge | 27 | 9.3 | 6.5 |
| Unrealised currency translation gains | | (1.7) | (1.1) |
| Operating cash flows before movements in working capital | | 61.4 | 88.2 |
| Increase in inventories | | (1.1) | (6.1) |
| Decrease/(increase) in receivables | | 2.7 | (6.1) |
| Increase in payables | | 2.4 | 7.7 |
| Cash generated from operations | | 65.4 | 83.7 |

Analysis of changes in net cash/(debt)

| | At 1 July 2019 £m | IFRS 16 implementation £m | Additions to leases £m | Cash flow £m | Foreign exchange and other non-cash movements £m | At 30 June 2020 £m |
|---------------------------|-------------------------|---------------------------------|------------------------------|-----------------|--|--------------------------|
| Cash and cash equivalents | 87.1 | — | — | 99.5 | 0.7 | 187.3 |
| Lease liabilities * | — | (76.2) | (58.6) | 7.7 | (0.7) | (127.8) |
| Borrowings * | — | — | — | (107.0) | 0.6 | (106.4) |
| Net cash/(debt) | 87.1 | (76.2) | (58.6) | 0.2 | 0.6 | (46.9) |

Total financial liabilities included within net debt comprise those items marked * and amount to £234.2m (2019: £nil).

Liabilities arising from financing activities comprise the Group's RCF (as set out in note 22) and lease liabilities (as set out in note 15).

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

26. 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 which was entered into in February 2019) 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.

26. Financial instruments continued

The Group's open forward currency contracts and their maturity profile as at the year end is as follows:

| | 30 June 2020 Average rate | 30 June 2020 Foreign currency million | 30 June 2019 Average rate | 30 June 2019 Foreign currency million |
|-----------------------|---------------------------------|--|---------------------------------|--|
| Outstanding contracts | | | | |
| Sell US Dollars | | | | |
| Less than 3 months | 1.29 | \$3.1 | 1.34 | \$8.9 |
| 3 to 6 months | 1.31 | \$2.0 | 1.32 | \$11.5 |
| 7 to 12 months | 1.24 | \$0.1 | 1.33 | \$8.3 |
| 13 to 18 months | — | — | — | — |
| | 1.30 | \$5.2 | 1.33 | \$28.7 |
| Sell Euros | | | | |
| Less than 3 months | 1.14 | €8.1 | 1.11 | €11.8 |
| 3 to 6 months | 1.15 | €6.5 | 1.11 | €13.2 |
| 7 to 12 months | 1.12 | €3.4 | 1.11 | €17.4 |
| 13 to 18 months | — | — | 1.14 | €1.4 |
| | 1.14 | €18.0 | 1.11 | €43.8 |
| Sell Yen | | | | |
| Less than 3 months | 139.13 | ¥373.4 | 145.26 | ¥430.7 |
| 3 to 6 months | 138.02 | ¥219.4 | 143.23 | ¥484.8 |
| 7 to 12 months | 135.36 | ¥268.7 | 141.58 | ¥954.5 |
| 13 to 18 months | 131.73 | ¥6.4 | 141.99 | ¥241.0 |
| | 137.60 | ¥867.9 | 142.74 | ¥2,111.0 |
| Sell Chinese Renminbi | | | | |
| Less than 3 months | 9.11 | ¥19.4 | 8.91 | ¥34.1 |
| 3 to 6 months | 8.99 | ¥7.5 | 8.96 | ¥27.0 |
| 7 to 12 months | 8.90 | ¥6.0 | 9.02 | ¥54.6 |
| | 9.05 | ¥32.9 | 8.97 | ¥115.7 |

At 30 June 2020, the fair value of contracts held as cash flow hedges is a liability of £0.8m (2019: net liability of £1.5m).

The movement recognised in other comprehensive income in the period:

| | 30 June 2020 | 30 June 2019 |
|--|--------------|--------------|
| Gain/(loss) in the year | 0.7 | (2.1) |
| Recycled to profit and loss | — | 0.4 |
| Gain/(loss) recognised in other comprehensive income | 0.7 | (1.7) |

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

26. Financial instruments continued

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 2020 | | | | | | | | |
| Income statement | 0.3 | (0.4) | 1.0 | (1.3) | 0.4 | (0.5) | 0.2 | (0.2) |
| Other comprehensive income | 0.4 | (0.5) | 0.9 | (1.2) | 0.3 | (0.4) | 0.3 | (0.4) |
| 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) |

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.

The maturity profile of financial liabilities shown below represents the Group's gross expected contractual cash flows.

| | Less than 1 year | Between | Over | Total |
|----------------------------------|------------------|---------------|------------|-------|
| | £m | 2 and 5 years | five years | |
| 30 June 2020 | | | | |
| Trade and other payables | 33.8 | — | — | 33.8 |
| Borrowings | 107.0 | — | — | 107.0 |
| Lease liabilities | 9.3 | 32.0 | 101.9 | 143.2 |
| Derivative financial instruments | 30.8 | — | — | 30.8 |
| | | | | |
| | Less than | Between | Over | Total |
| | six months | six months | one year | |
| | £m | and one year | £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 |

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

26. Financial instruments continued

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 19.

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 2020 £m | 30 June 2019 £m |
| Financial instruments held at amortised cost | | |
| Trade receivables | 31.4 | 29.3 |
| Other receivables | 3.9 | 2.5 |
| Cash and cash equivalents | 187.3 | 87.1 |
| Trade and other payables | (33.8) | (31.0) |
| Borrowings | (107.0) | — |
| Lease liabilities | (127.8) | — |
| Financial instruments held at fair value | | |
| Derivative financial instruments | (1.2) | (1.9) |
| Investment | 6.7 | 0.8 |

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. For the items classified as held at fair value, the fair value is recognised on the balance sheet as the carrying amount.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

26. 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 2020 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|----------------------------------|---------------|---------------|---------------|-------------|
| Assets | | | | |
| Derivative financial instruments | — | — | — | — |
| Investment | 4.8 | — | 1.9 | 6.7 |
| | 4.8 | — | 1.9 | 6.7 |
| Liabilities | | | | |
| Derivative financial instruments | — | (1.2) | — | (1.2) |
| | — | (1.2) | — | (1.2) |
| 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 |
| | 0.8 | 0.2 | — | 1.0 |
| Liabilities | | | | |
| Derivative financial instruments | — | (2.1) | — | (2.1) |
| | — | (2.1) | — | (2.1) |

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.

Level 3 investments comprise non-listed equity securities in respect of a 13% stake in Brickbio, Inc. The fair value is determined to be equal to the carrying amount of the investment and is reviewed periodically based on information available about the performance of the underlying business.

27. Share-based payments

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|--|----------------------------------|----------------------------------|
| Expense arising from share-based payment transactions: | | |
| Included in Selling, general and administrative expenses | 6.6 | 5.5 |
| Included in Research and development expenses | 2.7 | 1.0 |
| | 9.3 | 6.5 |
| Equity settled share-based payment expense | 9.2 | 6.2 |
| Cash settled share-based payment expense* | 0.1 | 0.3 |
| | 9.3 | 6.5 |

* The total liability as at 30 June 2020 was £0.3m (2019: £0.6m) of which less than £0.1m (2019: £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 and 2019 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 2020 | | Year ended 30 June 2019 | |
|--|-------------------------|---|-------------------------|---|
| | Number | Weighted average exercise price pence | Number | Weighted average exercise price pence |
| Outstanding at beginning of year | 947,948 | 640.1 | 1,386,655 | 644.3 |
| Forfeited | (72,526) | 1,259.1 | (164,220) | 866.6 |
| Exercised | (174,150) | 706.4 | (274,487) | 525.6 |
| Outstanding at end of year | 701,272 | 559.7 | 947,948 | 640.1 |
| Number of options exercisable at end of year | 519,442 | 661.7 | 281,438 | 536.7 |

| Analysed by range of exercise price: | Grant year | Year ended 30 June 2020 | | Year ended 30 June 2019 | |
|--------------------------------------|---------------|-------------------------|---|-------------------------|---|
| | | Number outstanding | Weighted average remaining contractual life | Number outstanding | Weighted average remaining contractual life |
| 180.8p–464.0p | prior to 2016 | 197,901 | 3.4 years | 256,955 | 4.3 years |
| 598.0p | 2016 | 111,033 | 5.3 years | 155,327 | 6.3 years |
| 851.0p | 2017 | 161,372 | 6.3 years | 214,798 | 7.4 years |
| 1,020.0p | 2018 | 230,966 | 7.3 years | 320,868 | 8.4 years |
| | | 701,272 | 5.7 years | 947,948 | 6.7 years |

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

27. Share-based payments continued

| | Year ended 30 June 2020 | Year ended 30 June 2019 |
|--|----------------------------|----------------------------|
| Weighted average fair value of options granted | — | — |
| Weighted average share price at date of exercise | 1,329.2p | 1,310.5p |

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 years ended 30 June 2020 and 30 June 2019. The inputs into the Monte Carlo model for options issued during the prior year were as follows:

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 2020 | Year ended 30 June 2019 |
|--|----------------------------|----------------------------|
| Outstanding at beginning of year | 988,127 | 1,022,757 |
| Granted | 470,834 | 483,339 |
| Forfeited | (121,127) | (141,797) |
| Exercised | (252,672) | (376,172) |
| Outstanding at end of year | 1,085,162 | 988,127 |
| Number of options exercisable at end of year | 72,760 | 63,996 |

| | Year ended 30 June 2020 | Year ended 30 June 2019 |
|--|----------------------------|----------------------------|
| Weighted average fair value of awards granted | 1,208.3p | 1,245.1p |
| Weighted average share price at date of exercise | 1,185.2p | 1,304.4p |
| Weighted average remaining contractual life | 3.3 years | 4.3 years |

Fair values of the awards with a performance condition based on non-market condition, for example EPS, are calculated using the Black-Scholes model. The inputs into the models for awards granted in the current and prior year were as follows:

| | Year ended 30 June 2020 | | | | | Year ended 30 June 2019 | |
|------------------------------|-------------------------|----------------------|----------------------|----------------------|-------------------------|-------------------------|------------------------|
| | LTIP 14 Nov 2019 | LTIP 9 March 2020 | LTIP 9 March 2020 | LTIP 9 March 2020 | LTIP 25 October 2019 | DSA 7 Nov 2018 | DSA 26 October 2018 |
| Share price at grant (pence) | 1,245.0 | 1,157.0 | 1,157.0 | 1,157.0 | 1,152.0 | 1,251.0 | 1,337.0 |
| Expected volatility | 30% | 37% | 35% | 31% | 30% | 26% | 24% |
| Contractual life (years) | 3 years | 1 years | 2 years | 3 years | 3 years | 3 years | 3 years |
| Expected dividend yield | 0.82% | 0.88% | 0.88% | 0.88% | 0.88% | 0.81% | 0.81% |
| Risk-free interest rate | 0.47% | 0.17% | 0.11% | 0.09% | 0.44% | 0.91% | 0.75% |

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.

27. 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 November 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 2020 | Year ended 30 June 2019 |
|--|----------------------------|----------------------------|
| Outstanding at beginning of year | 1,564,167 | — |
| Granted | 348,425 | 1,694,429 |
| Forfeited | (187,715) | (130,262) |
| Exercised | (1,694) | — |
| Outstanding at end of year | 1,723,183 | 1,564,167 |
| Number of options exercisable at end of year | — | — |

| | Year ended 30 June 2020 | Year ended 30 June 2019 |
|---|----------------------------|----------------------------|
| Weighted average fair value of awards granted | 1,137.8p | 1,131.4p |
| Weighted average remaining contractual life | 1.4 years | 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 2020 | Year ended 30 June 2019 |
|------------------------------|----------------------------|----------------------------|
| Share price at grant (pence) | 1,244.6 | 1,251.0 |
| Expected volatility | 34% | 26% |
| Contractual life (years) | 2 years | 3 years |
| Expected dividend yield | 0.82% | 0.81% |
| Risk-free interest rate | 0.52% | 0.91% |

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

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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

27. Share-based payments continued

| | Number of Free Shares | | Number of Matching Shares | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | Year ended 30 June 2020 | Year ended 30 June 2019 | Year ended 30 June 2020 | Year ended 30 June 2019 |
| Outstanding at beginning of year | 351,187 | 447,841 | 88,539 | 115,928 |
| Granted during year | — | — | — | 7,323 |
| Forfeited during year | (7,423) | (18,982) | (2,203) | (7,227) |
| Exercised during year | (41,741) | (77,672) | (8,802) | (27,485) |
| Outstanding at end of year | 302,023 | 351,187 | 77,534 | 88,539 |
| Exercisable at end of year | 215,268 | 167,425 | 72,009 | 48,333 |
| | | | Year ended 30 June 2020 | Year ended 30 June 2019 |
| 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 the Annual Report on Remuneration on page 86.

28. Retirement benefit schemes

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|---|----------------------------------|----------------------------------|
| Total charge to income statement in respect of defined contribution schemes | 4.5 | 3.5 |

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 2020 contributions of £0.5m (2019: £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

29. Business combinations

Year ended 30 June 2020

The Group made a number of acquisitions during the year. Had all of the acquisitions been completed and consolidated on 1 July 2019, the Group revenue would have been £265.6m, the profit before tax would have been £7.5m and the adjusted profit before tax would have been £45.2m. Acquisitions are set out below.

Expedeon

On 1 January 2020, the Group acquired 100% of the share capital of Expedeon Holdings Limited, including certain subsidiaries and certain other assets from Expedeon AG. This represented the proteomics and immunology business of Expedeon and was for total cash consideration of €122.5m (£104.2m) and acquisition expenses of £4.1m which are described in note 7.

This acquisition accelerates Abcam's ambitions within the complementary antibody conjugation and labelling market and provides opportunities to combine technologies to create new value adding products to support customer needs.

29. Business combinations continued

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

| | £m |
|---|--------------|
| Non-current assets | |
| Intangible assets | 47.7 |
| Other non-current assets | 0.8 |
| Net current assets | 5.9 |
| Non-current liabilities | |
| Deferred tax on intangibles | (11.9) |
| Total identifiable assets acquired | 42.5 |
| Goodwill | 61.7 |
| Total consideration | 104.2 |

| | £m |
|--|--------------|
| Net cash outflow on acquisition | |
| Consideration paid in cash | 104.2 |
| Acquired cash and cash equivalents | (2.3) |
| | 101.9 |

Other net current assets comprised inventory of £2.8m, cash of £2.3m, trade and other receivables of £1.9m and trade payables of £1.1m. The goodwill recognised is attributable to the expertise of the assembled workforce, potential future relationships with customers and potential new technology.

Since the date of acquisition to 30 June 2020 the acquisition contributed £5.9m to the Group's revenue and a profit before tax of £0.3m. The effect on adjusted profit before tax was £2.0m which is before taking into account the effects of the amortisation of acquisition intangibles as described in note 7.

Gene editing and oncology business

On 30 January 2020, the Group acquired certain assets and employees comprising the gene editing and oncology business of Applied StemCell, Inc. (ASC) for a total cash consideration of US \$ 9.4m (£7.1m).

Abcam intends to expand the ASC platform to become its discovery engine for developing novel edited cell lines, building upon its existing portfolio of knockout cell lines.

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

| | £m |
|---|------------|
| Non-current assets | |
| Intangible assets | 3.3 |
| Current assets | 0.2 |
| Total identifiable assets acquired | 3.5 |
| Goodwill | 3.6 |
| Total consideration | 7.1 |

| | £m |
|------------------------------------|-----|
| Cash outflow on acquisition | |
| Consideration paid in cash | 7.1 |

Other current assets comprised inventory of £0.2m. The goodwill recognised is attributable to the expertise of the assembled workforce and potential new technology.

Since the date of acquisition to 30 June 2020 the acquisition contributed £0.4m to the Group's revenue and a profit before tax of £0.1m over the same period. The effect on adjusted profit before tax was £0.2m which is before taking into account the effects of the amortisation of acquisition intangibles as described in note 7.

Notes to the consolidated financial statements continued

For the year ended 30 June 2020

29. Business combinations continued

As also referenced in note 7, an appraisal of all acquisition intangible assets was undertaken for consideration of any potential indicators of impairment, for example, any underperformance against previous forecasts. The post acquisition results of the ASC were below those set out at the date of acquisition and accordingly, the recoverable amount of the acquisition intangible assets was assessed for impairment. The recoverable amount was determined by applying discounted cash flow modelling to management's own projections, covering a five year period to determine a value in use (VIU). A growth rate of 2.3% was applied to extrapolate cash flows beyond the five year period out to the end of the assets' expected useful economic lives and the cash flows were discounted at a pre-tax rate of 11%. Based on the results of this analysis, management is satisfied that the VIU exceeds the carrying value, however, the surplus of 17% of the VIU over the carrying value of the assets could be affected by a reasonably possible adverse change in the assumptions used in the cash flow projections where for example, a consistent 1% underperformance in revenues in each year of the five year forecast, without recovery, would cause the surplus to erode to £nil and subsequently cause the VIU to be below the carrying value.

Marker Gene Technologies, Inc.

On 4 March 2020, the Group acquired 100% of the share capital of Marker Gene Technologies, Inc. (MGT) for total consideration of \$2.2m (£1.7m), of which \$0.3m (£0.2m) is deferred for 18 months from the acquisition date, \$0.7m (£0.6m) in new ordinary shares and \$1.2m (£0.9m) in cash.

MGT has expertise in the areas of biology, organic synthesis and fluorescence chemistry and the team is experienced in the creation of detection tools that enable enhanced understanding of biological processes. This acquisition brings additional proprietary assay development technologies and labelling capabilities.

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

| | £m |
|---|------------|
| Non-current assets | |
| Intangible assets | 0.4 |
| Net current assets | 0.6 |
| Non-current liabilities | |
| Deferred tax on intangibles | (0.1) |
| Total identifiable assets acquired | 0.9 |
| Goodwill | 0.8 |
| Total consideration | 1.7 |
| | £m |
| Net cash outflow on acquisition | |
| Consideration paid in cash | 0.9 |
| Acquired cash and cash equivalents | (0.3) |
| | 0.6 |

Net current assets comprised inventory of £0.3m, cash £0.3m trade receivables of £0.1m and trade payables of £0.1m. The goodwill recognised is attributable to the expertise of the assembled workforce.

Since the date of acquisition to 30 June 2020 the acquisition contributed £0.1m to the Group's revenue and a profit before tax of £0.1m over the same period. The effect on adjusted profit before tax was also £0.1m.

29. Business combinations continued

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) was deferred for 12 months from the acquisition date and paid during the year ended 30 June 2020.

The acquisition strategically expanded 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 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. The goodwill recognised is attributable to the expertise of the assembled workforce.

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. The effect on adjusted profit before tax was also a loss of £0.1m. Had Calico been consolidated from 1 July 2018, Group revenues and profit before tax for the year ended 30 June 2019 would have been £260.5m and £56.0m, respectively.

30. 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 93.

| | Directors' remuneration | | Key management personnel (including Directors) | |
|---------------------------------------|-------------------------------|-------------------------------|--|-------------------------------|
| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
| Short-term employee benefits and fees | 1.6 | 1.6 | 4.3 | 4.3 |
| Post-employment benefits | 0.1 | 0.1 | 0.2 | 0.2 |
| Share-based payments | 1.8 | 1.6 | 2.3 | 2.1 |
| | 3.5 | 3.3 | 6.8 | 6.6 |

Directors' transactions

During the year, the Group made purchases from companies related to Directors of \$nil (2018/19: less than £0.1m) of which the balance outstanding at 30 June 2020 was \$nil (2019: £0.1m). Total sales to companies related to the Directors was less than £0.1m (2018/19: less than £0.1m), of which less than £0.1m (2019: less than £0.1m) was outstanding as at 30 June 2020.

Company balance sheet

As at 30 June 2020

| | Note | 30 June 2020 £m | 30 June 2019 £m |
|--|------|--------------------|--------------------|
| Non-current assets | | | |
| Goodwill | C4 | 40.2 | 7.8 |
| Intangible assets | C5 | 95.5 | 56.8 |
| Property, plant and equipment | C6 | 31.1 | 26.8 |
| Right of Use Assets | C7 | 55.2 | — |
| Investments | C8 | 204.3 | 140.7 |
| Deferred tax asset | C9 | 7.5 | 2.8 |
| Loan receivable | C10 | 54.6 | 27.4 |
| | | 488.4 | 262.3 |
| Current assets | | | |
| Inventories | C11 | 26.0 | 24.3 |
| Trade and other receivables | C12 | 44.0 | 44.2 |
| Loan receivable | C10 | 1.1 | 26.9 |
| Current tax receivable | | 5.3 | 5.4 |
| Derivative financial instruments | | — | 0.2 |
| Cash and cash equivalents | | 167.6 | 57.9 |
| | | 244.0 | 158.9 |
| Total assets | | 732.4 | 421.2 |
| Current liabilities | | | |
| Trade and other payables | C13 | (52.3) | (40.7) |
| Derivative financial instruments | | (1.2) | (2.0) |
| Lease Liabilities | C7 | (1.7) | — |
| Borrowings | C14 | (106.4) | — |
| Borrowings with Group companies | | (7.4) | (14.5) |
| | | (169.0) | (57.2) |
| Net current assets | | 75.0 | 101.7 |
| Total assets less current liabilities | | 563.4 | 364.0 |
| Non-current liabilities | | | |
| Deferred tax liabilities | C9 | (11.6) | (3.9) |
| Derivative financial instruments | | — | (0.1) |
| Lease liabilities | C7 | (57.1) | — |
| | | (68.7) | (4.0) |
| Total liabilities | | (237.7) | (61.2) |
| Net assets | | 494.7 | 360.0 |
| Equity | | | |
| Share capital | C15 | 0.4 | 0.4 |
| Share premium account | | 138.2 | 27.0 |
| Merger reserve | C15 | 68.6 | 68.1 |
| Own shares | C15 | (2.5) | (2.8) |
| Hedging reserve | C15 | (0.7) | (1.3) |
| Retained earnings | | 290.7 | 268.6 |
| Total shareholders' funds | | 494.7 | 360.0 |

The Company reported a profit for the year ended 30 June 2020 of £38.8m (2019: £37.5m).

The financial statements of the Company were approved by the Board on 12 September 2020 and signed on its behalf by:



Michael Baldock
Director

Company statement of changes in equity

For the year ended 30 June 2020

| | 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 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 expense | | — | — | — | — | (1.4) | — | (1.4) |
| Total comprehensive expense/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 | C16 | — | — | — | — | — | (24.9) | (24.9) |
| Balance as at 30 June 2019, as previously reported | | 0.4 | 27.0 | 68.1 | (2.8) | (1.3) | 268.6 | 360.0 |
| Implementation of IFRS 16 | | — | — | — | — | — | 0.6 | 0.6 |
| Balance as at 30 June 2019, as adjusted | | 0.4 | 27.0 | 68.1 | (2.8) | (1.3) | 269.2 | 360.6 |
| Profit for the year | | — | — | — | — | — | 38.8 | 38.8 |
| Other comprehensive income | | — | — | — | — | 0.6 | — | 0.6 |
| Total comprehensive income | | — | — | — | — | 0.6 | 38.8 | 39.4 |
| Issue of ordinary shares | | — | 111.2 | 0.5 | 0.3 | — | (0.3) | 111.7 |
| Share-based payments inclusive of deferred tax | | — | — | — | — | — | 8.1 | 8.1 |
| Purchase of own shares | | — | — | — | — | — | (0.1) | (0.1) |
| Equity dividends | C16 | — | — | — | — | — | (25.0) | (25.0) |
| Balance as at 30 June 2020 | | 0.4 | 138.2 | 68.6 | (2.5) | (0.7) | 290.7 | 494.7 |

Strategic report

Corporate governance

Financial statements

Notes to the Company financial statements

For the year ended 30 June 2020

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.
- Certain impairment testing related disclosures.
- 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 plus capital contributions less, where appropriate, provisions for impairment. Where applicable, acquisition costs incurred in acquiring the subsidiary are capitalised as part of the investment cost.

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 are those 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 30 to the consolidated financial statements and the Annual Report on Remuneration on pages 84 and 86 form part of these Company financial statements. Information on the main employee share-based payments is given in note 7 of the consolidated financial statements. Details of the key management personnel are given in note 30 of the consolidated financial statements.

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

| | Year ended 30 June 2020 Number | Year ended 30 June 2019 Number |
|--|--------------------------------------|--------------------------------------|
| Management, administrative, marketing and distribution | 445 | 436 |
| Laboratory | 126 | 78 |
| | 571 | 514 |

Their aggregate remuneration comprised:

| | Year ended 30 June 2020 £m | Year ended 30 June 2019 £m |
|-----------------------------|----------------------------------|----------------------------------|
| Wages and salaries | 31.2 | 26.6 |
| Social security costs | 3.4 | 3.7 |
| Other pension costs | 3.0 | 2.1 |
| Share based payments charge | 6.0 | 4.4 |
| Total staff costs | 43.6 | 36.8 |

C4. Goodwill

| | 30 June 2020 £m | 30 June 2019 £m |
|--|--------------------|--------------------|
| Cost | | |
| At beginning of year | 7.8 | 7.8 |
| Additions | 3.6 | — |
| Acquired on transfer of trade and assets from subsidiary undertaking | 28.8 | — |
| At end of year | 40.2 | 7.8 |
| Accumulated impairment losses | | |
| At beginning and end of year | — | — |
| Carrying amount | 40.2 | 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 £0.6m (2019: £0.4m) and a reduction of £2.2m (2019: £1.6m) in the carrying value of goodwill in the balance sheet.

Additions relate to the acquisition of part of the gene editing and oncology business of Applied StemCell Inc (ASC) on 30 January 2020.

Transfer of trade and assets from subsidiary

The goodwill acquired has arisen from the transfer on 1 June 2020 of the trade and net assets of Expedeon Limited, an indirect subsidiary, which arose as part of the integration of that business into Abcam plc. The trade and net assets were transferred to the Company at their book value as set out in the table below:

Notes to the Company financial statements continued

For the year ended 30 June 2020

C4. Goodwill continued

| | note | Fair value recognised £m |
|---|------|--------------------------------|
| Non-current assets | | |
| Property, plant & equipment | C6 | 0.4 |
| Intangible assets | C5 | 20.1 |
| Other non-current assets | | 5.2 |
| | | 25.7 |
| Net current liabilities | | |
| Deferred tax liabilities | | (3.8) |
| Total identifiable net assets acquired | | 20.7 |
| Intercompany loan notes | | 4.2 |
| Reduction in carrying value of investment | | 45.3 |
| Total consideration | | 49.5 |
| Goodwill recognised | | 28.8 |

The cost of the Company's investment in Expedeon Holdings Limited reflected the fair value of net assets and goodwill of both Expedeon Holdings Limited and also its subsidiary undertakings, one of which is Expedeon Limited. The values attributed were assessed at the time of acquisition by Abcam plc on 1 January 2020. As a result of the transfer of trade and net assets of Expedeon Limited, the value of the Company's investment in Expedeon Holdings Ltd (the immediate parent company of Expedeon Ltd) fell below the amount at which it was stated in the Company's balance sheet.

Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the Directors consider that, as there has been no overall economic loss to the Company, it would fail to give a true and fair view to charge that diminution to the profit and loss account for the year and it should instead follow predecessor accounting, reallocating the cost of investment attributable to Expedeon Limited to goodwill and other fair value adjustments arising on acquisition. The reduction in investment carrying value is set out in note C8. The allocation to Expedeon Limited has been taken with reference to the original values assessed formally at the date Expedeon Holdings Limited was acquired by Abcam plc.

The following table summarises the impact of adopting predecessor accounting on the Company balance sheet:

| | £m |
|--|--------|
| Cost of investment in Expedeon Holdings Limited | 107.5 |
| Reallocation to goodwill and other fair value adjustments following transfer of trade and assets of Expedeon Limited | (45.3) |
| Remaining cost of investment | 62.2 |

The Consolidated financial statements are not affected by this transfer.

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 | | | | | | | Total £m |
|--|--|--|--------------------|-------------------|-----------------|---------------------------------------|----------------|--------------|
| | Customer relationships and distribution rights £m | Patents, technology and know-how £m | Licence fees £m | Trade names £m | Sub-total £m | Internally developed technology £m | Software £m | |
| Cost | | | | | | | | |
| At 1 July 2019 | 1.4 | 0.4 | 10.7 | — | 12.5 | 23.2 | 50.6 | 86.3 |
| Additions | — | — | — | — | — | 9.0 | 14.8 | 23.8 |
| Acquisitions | — | 3.1 | — | 0.2 | 3.3 | — | — | 3.3 |
| Transfer from subsidiary (note C4) | 1.7 | 17.7 | — | 0.6 | 20.0 | 0.1 | — | 20.1 |
| Disposals | — | — | — | — | — | — | — | — |
| At 30 June 2020 | 3.1 | 21.2 | 10.7 | 0.8 | 35.8 | 32.3 | 65.4 | 133.5 |
| Accumulated amortisation | | | | | | | | |
| At 1 July 2019 | 1.1 | 0.4 | 1.7 | — | 3.2 | 6.4 | 19.9 | 29.5 |
| Charge for the year | 0.1 | 0.3 | 1.0 | — | 1.4 | 2.8 | 4.1 | 8.3 |
| Impairments | — | — | — | — | — | 0.2 | — | 0.2 |
| At 30 June 2020 | 1.2 | 0.7 | 2.7 | — | 4.6 | 9.4 | 24.0 | 38.0 |
| Carrying amount | | | | | | | | |
| At 30 June 2019 | 0.3 | — | 9.0 | — | 9.3 | 16.8 | 30.7 | 56.8 |
| At 30 June 2020 | 1.9 | 20.5 | 8.0 | 0.8 | 31.2 | 22.9 | 41.4 | 95.5 |
| Included in carrying amount – Assets under construction | | | | | | | | |
| 30 June 2019 | — | — | — | — | — | 3.9 | 14.7 | 18.6 |
| 30 June 2020 | — | — | — | — | — | 7.2 | 28.7 | 35.9 |

Individually material intangible assets

The Group's new ERP system is considered to be an individually material intangible asset, of which £11.3m is included within software which is being amortised over a five year period with a remaining amortisation period of between one and four 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 are set out as follows:

| | Carrying amount £m | Remaining amortisation period years |
|--|-----------------------|--|
| Expedeon antibody labelling and conjugation technology | 20.8 | 15 |
| Roche licence agreement | 7.9 | 8 |

For the year ended 30 June 2019, following achievement in April 2019 of an implementation milestone of the ERP implementation project, a review was undertaken of historical expenditure incurred to date on outstanding modules included within software. It was concluded that as a result of changes in the scope and nature of the programme, assets of £12.8m were impaired.

Capital commitments at 30 June 2020 amounted to £4.1m (2019: £nil).

Notes to the Company financial statements continued
For the year ended 30 June 2020

C6. Property, plant and equipment

| | Laboratory equipment £m | Office fixtures, fittings and other equipment £m | Leasehold Improvements £m | Cell line assets £m | Total £m |
|--|----------------------------|---|------------------------------|------------------------|-------------|
| Cost | | | | | |
| At 1 July 2019 | 10.6 | 4.8 | 20.1 | — | 35.5 |
| Additions | 2.5 | 0.7 | 0.1 | 4.2 | 7.5 |
| Acquired on trade transfer from subsidiary (note C4) | 0.2 | 0.1 | 0.1 | — | 0.4 |
| Reclassification | (1.4) | — | — | 1.4 | — |
| Disposals | — | (1.4) | — | — | (1.4) |
| At 30 June 2020 | 11.9 | 4.2 | 20.3 | 5.6 | 42.0 |
| Accumulated depreciation | | | | | |
| At 1 July 2019 | 6.5 | 1.8 | 0.4 | — | 8.7 |
| Charge for the year | 1.1 | 1.2 | 1.0 | 0.3 | 3.6 |
| Disposals | — | (1.4) | — | — | (1.4) |
| At 30 June 2020 | 7.6 | 1.6 | 1.4 | 0.3 | 10.9 |
| Net book value | | | | | |
| 30 June 2019 | 4.1 | 3.0 | 19.7 | — | 26.8 |
| 30 June 2020 | 4.3 | 2.6 | 18.9 | 5.3 | 31.1 |

Capital commitments as at 30 June 2020 amounted to £0.6m (2019: £nil)

C7. Leases

Right of use assets

| | Land and Buildings £m | Other £m | Total £m |
|---------------------------------|--------------------------|-------------|-------------|
| Cost | | | |
| At 1 July 2019 | — | — | — |
| IFRS 16 transition adjustment | 58.2 | 0.1 | 58.3 |
| Additions | — | — | — |
| FRS 16 transition adjustment | 58.2 | 0.1 | 58.3 |
| At 30 June 2020 | 58.2 | 0.1 | 58.3 |
| Accumulated amortisation | | | |
| At 1 July 2019 | — | — | — |
| Charge for the year | 3.0 | 0.1 | 3.1 |
| At 30 June 2020 | 3.0 | 0.1 | 3.1 |
| Carrying amount | | | |
| At 30 June 2019 | — | — | — |
| At 30 June 2020 | 55.2 | — | 55.2 |

Lease liabilities

Maturity analysis of lease liabilities

| | Lease payments £m | Finance charges £m | Present value of lease liability £m |
|--|----------------------|-----------------------|--|
| Amounts falling due within | | | |
| One year | 2.4 | (0.7) | 1.7 |
| Later than one but not later than five | 13.1 | (2.5) | 10.6 |
| Later than five | 50.5 | (4.0) | 46.5 |
| | 66.0 | (7.2) | 58.8 |

C7. Leases continued

The interest expense incurred on lease liabilities included within finance costs was £0.7m and income recognised from subleases was less than £0.1m. The lease expense relating to short term leases and low value assets (that are not shown in the tables above) are less than £0.1m. Cash outflows in respect of right of use assets were £3.1m.

The reconciliation between operating lease commitments previously reported for the year ended 30 June 2019, discounted at the Group's incremental borrowing rate, and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is as follows:

| | £m |
|---|-------------|
| Commitments disclosed at 30 June 2019 | 69.2 |
| Non-lease commitments | (3.7) |
| Effect of discounting at incremental borrowing rate | (8.0) |
| Lease incentives | 3.4 |
| Lease liability recognised at 1 July 2019 | 60.9 |

C8. Investments

| | 30 June 2020 | | | 30 June 2019 | | |
|---------------------------------------|---|----------------------|--------------|---|----------------------|--------------|
| | Investments in subsidiary undertakings £m | Other investments £m | Total £m | Investments in subsidiary undertakings £m | Other investments £m | Total £m |
| At beginning of year | 140.7 | — | 140.7 | 136.0 | — | 136.0 |
| Capital contribution (i) | 3.7 | — | 3.7 | 1.9 | — | 1.9 |
| Purchase of shares in subsidiary (ii) | 162.5 | — | 162.5 | 2.8 | — | 2.8 |
| Additions (iii) | — | 2.2 | 2.2 | — | — | — |
| Reduction of investment value (iv) | (45.3) | — | (45.3) | — | — | — |
| Impairment in investment value (v) | (59.5) | — | (59.5) | — | — | — |
| | 202.1 | 2.2 | 204.3 | 140.7 | — | 140.7 |

(i) Comprises a capital contribution in an indirect subsidiary to fund the acquisition of Marker Gene Technologies Inc.; and share based awards issued by the Company to employees of its subsidiaries;

(ii) Comprises the purchase on 1 January 2020 of Expedeon Holdings Limited as described further in note 28 to the consolidated financial statements, as well as the capitalisation of associated acquisition costs and an increase in the share capital of £55.0m in a direct subsidiary to fund its purchase of another Group company as part of an internal re-organisation (2019: relates to an additional investment of 2.8 million new shares in an existing subsidiary company, for consideration of \$3.7m).

(iii) Comprises mainly the purchase of a 13% stake of Brickbio, Inc. as described further in note 16 to the consolidated financial statements.

(iv) Arises from the transfer of trade and net assets of an indirect subsidiary, Expedeon Limited, to the Company as described in note C4 whereby a reduction in the investment carrying value of Expedeon Holdings Limited has arisen, but with a corresponding increase to goodwill, acquisition intangible and other assets and liabilities acquired by the Group.

(v) The impairment follows the internal re-organisation referred to in (i), where a dividend received from that subsidiary of an equivalent amount reduced the net asset value.

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 |
| Expedeon Holdings Limited | Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX | England | Holding company |

* In liquidation

Notes to the Company financial statements continued
For the year ended 30 June 2020

C8. Investments continued

Subsidiary undertakings

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 |
| Abcam (US) Limited | Discovery Drive, Cambridge Biomedical Campus, Cambridge CB2 0AX | England | Holding company |
| Axiomx Inc. | Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808 | USA | R&D and manufacturing |
| Calico Biolabs Inc. | 1181 Quarry Ln, Pleasanton, CA 94566 | USA | Dormant |
| Epitomics 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 |
| Expedeon Limited | Discovery Drive, Cambridge Biomedical Campus, Cambridge CB2 0AX | England | R&D and manufacturing |
| Expedeon Asia Pte Limited | 100 Tras Street #16-01, 100 AM, Singapore 079027 | Singapore | R&D and manufacturing |
| Firefly BioWorks Inc. | Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808 | USA | R&D and manufacturing |
| Innova BioSciences Limited | Discovery Drive, Cambridge Biomedical Campus, Cambridge, CB2 0AX | England | Dormant |
| Marker Gene Technologies, Inc. | 1850 Millrace Drive, Eugene, OR 97403 | USA | R&D and manufacturing |
| MitoSciences Inc. | Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808 | USA | R&D and manufacturing |
| TGR BioSciences Pty Limited | 31 Dalgleish Street, Thebarton, SA 5031, Australia | Australia | R&D and manufacturing |

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 |
| Expedeon Limited | 04681599 |
| Expedeon Holdings Limited | 06785444 |
| Innova BioSciences Limited | 04415674 |

C9. Deferred tax

| | Year ended 30 June 2020 | | | | | Year ended 30 June 2019 | | | | |
|--|--------------------------------------|---------------------------|----------------------------------|-----------------------------------|--------------|--------------------------------------|---------------------------|-----------------------------------|--------------|--|
| | Accelerated capital allowances £m | Share-based payment £m | Acquired intangible assets £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 | (3.9) | 2.3 | — | 0.5 | (1.1) | (0.4) | 2.4 | — | 2.0 | |
| (Charge)/credit to income statement | (3.9) | 1.5 | — | 4.4 | 2.0 | (3.5) | — | 0.5 | (3.0) | |
| Acquired on trade transfer from subsidiary | — | — | (3.8) | — | (3.8) | — | — | — | — | |
| (Charge)/credit to equity | — | (1.1) | — | (0.1) | (1.2) | — | (0.1) | — | (0.1) | |
| At end of year | (7.8) | 2.7 | (3.8) | 4.8 | (4.1) | (3.9) | 2.3 | 0.5 | (1.1) | |

Deferred tax balances are comprised as follows:

| | 30 June 2020 £m | 30 June 2019 £m |
|---|--------------------|--------------------|
| Deferred tax assets to be recovered | | |
| Within 12 months | 5.6 | 2.0 |
| After more than 12 months | 1.9 | 0.8 |
| | 7.5 | 2.8 |
| Deferred tax liabilities to be recovered | | |
| Within 12 months | (1.4) | — |
| After more than 12 months | (10.2) | (3.9) |
| | (11.6) | (3.9) |
| Deferred tax liabilities (net) | (4.1) | (1.1) |

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. Deferred tax assets mainly relate to tax losses that will be recovered against future profits of the Company.

C10. Loans receivable

| | 30 June 2020 £m | 30 June 2019 £m |
|--|--------------------|--------------------|
| Amounts owed by subsidiary undertakings | | |
| Within 12 months | 1.1 | 26.9 |
| After more than 12 months | 54.6 | 27.4 |
| | 55.7 | 54.3 |

Comprising:

| | Borrower | Principal \$m | Repayment date | Interest rate | 30 June 2020 £m | 30 June 2019 £m |
|-------------|------------------------------|------------------|-------------------|------------------|--------------------|--------------------|
| Term loan 1 | Abcam US Group Holdings Inc. | 33.0 | 20 Dec 2022 | 4.50% | 26.9 | 26.0 |
| Term loan 2 | Abcam US Group Holdings Inc. | 34.0 | 20 Dec 2022 | 8.69% | 27.7 | 26.8 |
| Other loans | Various | Various | Various | Various | 1.1 | 1.5 |
| | | | | | 55.7 | 54.3 |

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

C11. Inventories

| | 30 June 2020 £m | 30 June 2019 £m |
|------------------|--------------------|--------------------|
| Raw materials | 1.5 | 1.0 |
| Work in progress | 0.4 | 0.3 |
| Finished goods | 24.1 | 23.0 |
| | 26.0 | 24.3 |

Notes to the Company financial statements continued
For the year ended 30 June 2020

C12. Trade and other receivables

| | 30 June 2020 £m | 30 June 2019 £m |
|---|--------------------|--------------------|
| Amounts receivable for the sale of goods and services | 2.4 | 7.1 |
| Amounts owed by subsidiary undertakings | 34.6 | 28.1 |
| Other receivables | 3.1 | 6.6 |
| Prepayments | 3.9 | 2.4 |
| | 44.0 | 44.2 |

The carrying amount of trade and other receivables approximates their fair value.

C13. Trade and other payables

| | 30 June 2020 £m | 30 June 2019 £m |
|---|--------------------|--------------------|
| Trade payables | 7.7 | 6.0 |
| Amounts owed to subsidiary undertakings | 22.4 | 8.9 |
| Accruals and deferred income | 21.1 | 24.5 |
| Other taxes and social security | 1.1 | 1.0 |
| Other payables | — | 0.3 |
| | 52.3 | 40.7 |

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

C14. Borrowings

| | 30 June 2020 £m | 30 June 2019 £m |
|------|--------------------|--------------------|
| Loan | 106.4 | — |

The loan relates to the Group's Revolving Credit Facility, further details of which are set out in note 22 to the consolidated financial statements.

The Group is subject to financial covenants for this facility and has complied with these in both 2019 and 2020.

C15. Share capital and reserves

Details of share capital and reserves are set out in note 23 to the Group financial statements.

C16. Dividends

Details of amounts recognised as distributions to shareholders in the year are set out in note 24 to the consolidated financial statements.

C17. Related party transactions

Directors' transactions

The remuneration of the Directors is set out in the Annual Report on Remuneration on pages 84 to 86. Related party transactions relating to Directors of the Company are shown in note 30 to the consolidated financial statements.

Investor information

Five year record – unaudited

| | 2019/20 £m | 2018/19 £m | 2017/18 £m | 2016/17 £m | 2015/16 £m |
|---|---------------|---------------|---------------|---------------|---------------|
| Income statement – Adjusted performance measures | | | | | |
| Revenue | 260.0 | 259.9 | 233.2 | 217.1 | 171.7 |
| <i>Percentage change</i> | — | 11.4% | 7.4% | 26.4% | 19.2% |
| Adjusted operating profit | 44.5 | 83.6 | 81.3 | 64.4 | 53.6 |
| Adjusted profit before tax | 42.4 | 83.9 | 81.6 | 64.6 | 53.8 |
| Taxation | (7.7) | (16.5) | (14.9) | (12.6) | (8.6) |
| Adjusted profit after tax | 34.7 | 67.4 | 66.7 | 52.0 | 45.2 |
| Adjusted earnings per share | | | | | |
| Basic | 16.7p | 32.9p | 32.7p | 25.7p | 22.5p |
| Diluted | 16.6p | 32.6p | 32.4p | 25.5p | 22.4p |
| Free Cash Flow | 19.0 | 34.3 | 26.8 | 41.3 | 31.7 |
| Return on capital employed* (ROCE) | 6.8% | 20.8% | 22.2% | 19.6% | 18.1% |

* 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.
- 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.

The key adjusted profit measures comprises adjusted operating profit.

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 after 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.

Immunology

A branch of biology that focuses on immune systems.

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.

Oncology

Branch of medicine that deals with the prevention, diagnosis, and treatment of cancer.

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.

Proteomics

The exploration of proteomes (entire set of proteins in an organism or a cell) in respect to protein composition, structure, and activity.

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

Company Secretary

Marc Perkins

Nominated advisor and joint broker

Numis Securities Limited

The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
UK

Joint brokers

J.P. Morgan Cazenove

25 Bank Street
Canary Wharf
London E14 5JP
UK

Morgan Stanley International

25 Cabot Square
Canary Wharf
London E14 4QA
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

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Cambridge CB2 0AX
UK

Email: corporate@abcam.com

Phone: +44 (0)1223 696000

Website: www.abcamplc.com

Financial calendar

| Financial year end | 30 June 2020 |
|-----------------------------|-------------------|
| Full year results announced | 14 September 2020 |
| Annual General Meeting | 4 December 2020 |

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.

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abcam

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