

**Company Registration No. 2352178**

**Abingworth Management Holdings Limited**

**Report and Financial Statements**

**30 June 2012**

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# **Abingworth Management Holdings Limited**

## **Report and financial statements 2012**

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# **Abingworth Management Holdings Limited**

## **Report and financial statements 2012**

### **Officers and professional advisers**

#### **Directors**

S W Bunting (Chairman)

D F J Leathers

D W Quysner

#### **Secretary**

J G Heard

#### **Registered Office**

Princes House

38 Jermyn Street

London

SW1Y 6DN

#### **Banker**

Barclays Bank PLC

Pall Mall Corporate Group

London

SW1A 1QB

#### **Auditor**

Deloitte LLP

London

#### **Tax Consultant**

BDO Stoy Hayward LLP

Chartered Accountants

London & New York

# Abingworth Management Holdings Limited

## Directors' report (continued)

The directors present their annual report and the audited financial statements for Abingworth Management Holdings Limited (the "Company") and subsidiaries (together the "Group") for the year ended 30 June 2012

### Business review and principal activities

The principal activities of the Group are the promotion and management of investment funds focused on biotechnology, life sciences and related areas. The directors expect these activities will continue during the next year.

As at 30 June 2012, funds under management (comprising the asset value of funds under management and undrawn commitments from investors in the Abingworth Bioventures funds) totalled \$1.4 billion (2011: \$1.37 billion).

During the year to 30 June 2012, the Group made a profit after tax and minority interest of £1,748,552 (2011: profit of £838,739) on turnover of £14,584,222 (2011: £16,676,760). The directors consider the results satisfactory.

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

### Key performance indicators ("KPI")

The directors monitor the business using a number of KPIs. The most relevant KPI for this report is detailed below.

|                  | 30 June 2012 |              | 30 June 2011 |              |
|------------------|--------------|--------------|--------------|--------------|
|                  | Target       | Actual       | Target       | Actual       |
| Operating profit | £5.1 million | £3.6 million | £4.8 million | £5.6 million |

### Going concern

The directors of the Group have acknowledged the latest guidance on going concern. While the current volatility in financial and world markets has created general uncertainty, the directors consider the Company's and the Group's financial position to be sound. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern can be found in the statement of accounting policies in the note 1 to the financial statements.

### Principal risks, financial risks and uncertainties

#### Operational risk

Most of our risk management efforts are focused on operational risk. Our policy is to operate a robust and effective risk management process, embedded within the governance and management structures of our business. The concept of reducing risk to acceptable levels implies some articulation of risk appetite.

Our risk management framework defines what operational risk means to us and this is approved by our Board. With Abingworth, we articulate our risk appetite through a framework of targeted key indicators. Target ranges are classified as red (unacceptable), amber (watch list) and green (acceptable). Where these indicators are controllable we aim for residual risk to be outside the red range.

The business is subject to at least an annual risk review conducted by our Compliance Committee overseen by a non-executive director. During these reviews, potential and actual operational risks are identified and controls put in place to mitigate them.

A key area of risk is the potential liability arising from the investment process and the appointment of Abingworth executives to the Boards of portfolio companies. These risks are addressed through training of Abingworth personnel and by ensuring that appropriate insurance cover is in place at both portfolio company and the Group level.

# **Abingworth Management Holdings Limited**

## **Directors' report (continued)**

### **Business risk**

Our business risk assessment principally examines the impact of lower management fees resulting from a fall in assets under management following a market downturn, poor investment performance or loss of key personnel that would lead to lower management fees. To mitigate the impact of our business risk, we have examined our investment processes to ensure that appropriate controls are in place over the making and monitoring of investments, and that our capital resources are sufficient to ensure that we would be able to take the appropriate action if we were to lose the services of key investment personnel.

### **Liquidity and credit risk**

Abingworth has minimal liquidity risk as the majority of its assets are held in short-term deposits with major UK clearing banks. The majority of our fee revenue derives from the operation of unregulated collective investment schemes for which we control bank mandates. We do not therefore have a material credit risk.

These risks are not considered material for the purposes of this disclosure.

### **Market risk**

Under Pillar 1, our market risk is limited to our exposure to foreign exchange fluctuations, due to some assets and liabilities being denominated in currencies other than sterling.

### **Directors**

The directors who served throughout the year ended 30 June 2012 and to the date of this report are

S W Bunting  
D F J Leathers  
D W Quysner

### **Dividends**

The directors do not recommend a dividend payment for the year (2011 £850,000).

### **Charitable donations**

The group made charitable donations of £1,078 (2011 £100) during the year.

### **Indemnity**

The directors have been covered by liability insurance throughout the year and the policy of insurance remains in force at the date of this report.

### **Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's and Group's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company and Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

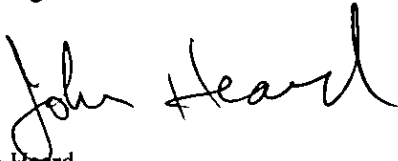
## **Abingworth Management Holdings Limited**

### **Directors' report (continued)**

#### **Auditor**

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'John Heard', written over the printed name.

J G Heard  
Secretary

17 October 2012

# **Abingworth Management Holdings Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing these 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 UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Abingworth Management Holdings Limited**

We have audited the financial statements of Abingworth Management Holdings Limited for the year ended 30 June 2012 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Parent Company balance sheets, the Group cash flow statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006



## **Independent auditor's report to the members of Abingworth Management Holdings Limited (continued)**

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Stuart McLaren** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

17 October 2012

# Abingworth Management Holdings Limited

## Consolidated profit and loss account Year ended 30 June 2012

|   | Notes | 2012<br>£        | 2011<br>£        |
|---|-------|------------------|------------------|
| Turnover  | 2     | 14,584,222       | 16,676,760       |
| Administrative expenses   |       | (10,938,778)     | (11,103,525)     |
| <b>Operating profit</b>   |       | <b>3,645,444</b> | <b>5,573,235</b> |
| Interest receivable and similar income  |       | 19,716           | 22,827           |
| <b>Profit on ordinary activities before taxation</b>  | 3     | <b>3,665,160</b> | <b>5,596,062</b> |
| Tax credit/(charge) on profit on ordinary activities  | 5     | 881,522          | (200,600)        |
| <b>Profit on ordinary activities after taxation before minority interest for the financial year</b> |       | <b>4,546,682</b> | <b>5,395,462</b> |
| Minority interest   | 16    | (2,798,130)      | (4,556,723)      |
| <b>Profit for the financial year</b>  |       | <b>1,748,552</b> | <b>838,739</b>   |

All results relate to continuing operations for the current and prior year

The notes 1 to 23 form an integral part of the accounts

## **Abingworth Management Holdings Limited**

### **Consolidated statement of total recognised gains and losses Year ended 30 June 2012**

|   | <b>2012</b><br><b>£</b> | <b>2011</b><br><b>£</b> |
|---|-------------------------|-------------------------|
| Profit on ordinary activities after taxation and minority interest for the financial year | 1,748,552               | 838,739                 |
| Currency translation differences on foreign currency net investment                       | 16,701                  | (37,182)                |
| Total recognised gains relating to the year   | <u>1,765,253</u>        | <u>801,557</u>          |

The notes 1 to 23 form an integral part of the accounts

# Abingworth Management Holdings Limited

## Consolidated balance sheet At 30 June 2012

|   | Notes | £         | 2012<br>£         | £                 | 2011<br>£         |
|---|-------|-----------|-------------------|-------------------|-------------------|
| <b>Fixed assets</b>                                   |       |           |                   |                   |                   |
| Tangible assets                                       | 7     |           | 85,907            |                   | 117,142           |
| Investments   | 8     |           | 9,201             |                   | 10,572            |
|   |       |           | <u>95,108</u>     |                   | <u>127,714</u>    |
| <b>Current assets</b>                                 |       |           |                   |                   |                   |
| Investments   | 9     | 3,759,248 |                   | 8,788,500         |                   |
| Debtors   | 10    | 1,325,580 |                   | 854,652           |                   |
| Cash at bank and in hand                              |       | 6,306,521 |                   | 1,759,689         |                   |
|   |       |           | <u>11,391,349</u> | <u>11,402,841</u> |                   |
| <b>Creditors: amounts falling due within one year</b> | 11    | (755,649) |                   | (375,744)         |                   |
| <b>Net current assets</b>                             |       |           | <u>10,635,700</u> |                   | <u>11,027,097</u> |
| <b>Total assets less current liabilities</b>          |       |           | <u>10,730,808</u> |                   | <u>11,154,811</u> |
| <b>Provision for liabilities and charges</b>          | 12    |           | (1,221,504)       |                   | (2,196,074)       |
| <b>Net assets</b>                                     |       |           | <u>9,509,304</u>  |                   | <u>8,958,737</u>  |
| <b>Capital and reserves</b>                           |       |           |                   |                   |                   |
| Called up share capital                               | 13    |           | 200               |                   | 200               |
| Capital redemption reserve                            | 14    |           | 400               |                   | 400               |
| Profit and loss account                               | 14    |           | 4,090,566         |                   | 2,355,738         |
| <b>Total equity shareholders' funds</b>               | 15    |           | 4,091,166         |                   | 2,356,338         |
| Minority interest                                     | 16    |           | 5,418,138         |                   | 6,602,399         |
| <b>Total capital employed</b>                         |       |           | <u>9,509,304</u>  |                   | <u>8,958,737</u>  |

The notes 1 to 23 form an integral part of the accounts.

These financial statements (company registration number 2352178) were approved by the Board of Directors and authorised for issue on 17 October 2012

Signed on behalf of the Board of Directors

S W Bunting  
Director

# Abingworth Management Holdings Limited

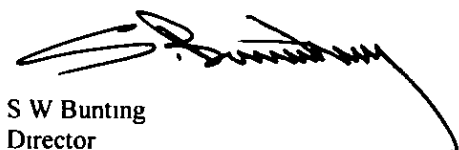
## Company balance sheet At 30 June 2012

|   | Notes | £             | 2012<br>£      | £             | 2011<br>£     |
|---|-------|---------------|----------------|---------------|---------------|
| <b>Fixed assets</b>                                   |       |               |                |               |               |
| Investments   | 8     |               | 198,007        |               | 198,009       |
| <b>Current assets</b>                                 |       |               |                |               |               |
| Debtors   | 10    | -             |                | 32,382        |               |
| Cash at bank and in hand                              |       | 20,176        |                | 32,963        |               |
|   |       | <u>20,176</u> |                | <u>65,345</u> |               |
| <b>Creditors: amounts falling due within one year</b> | 11    | (79,910)      |                | (192,785)     |               |
| <b>Net current assets</b>                             |       |               | (59,734)       |               | (127,440)     |
| <b>Total assets less current liabilities</b>          |       |               | <u>138,273</u> |               | <u>70,569</u> |
| <b>Capital and reserves</b>                           |       |               |                |               |               |
| Called up share capital                               | 13    |               | 200            |               | 200           |
| Capital redemption reserve account                    | 14    |               | 400            |               | 400           |
| Profit and loss account                               |       |               | 137,673        |               | 69,969        |
| <b>Total equity shareholders' funds</b>               |       |               | <u>138,273</u> |               | <u>70,569</u> |

The notes 1 to 23 form an integral part of the accounts

These financial statements (company registration number 2352178) were approved by the Board of Directors and authorised for issue on 17 October 2012

Signed on behalf of the Board of Directors



S W Bunting  
Director

# Abingworth Management Holdings Limited

## Cash flow statement Year ended 30 June 2012

|  | Notes    | 2012<br>£   | 2011<br>£   |
|--|----------|-------------|-------------|
| <b>Net cash inflow from operating activities</b>                                     | 18A      | 3,658,574   | 5,256,390   |
| <b>Returns on investments and servicing of finance</b>                               |          |             |             |
| Interest received  |          | 19,716      | 22,827      |
|  |          | 19,716      | 22,827      |
| <b>Taxation</b>  |          |             |             |
| Foreign tax paid   |          | (116,556)   | (94,190)    |
| UK tax paid  |          | -           | -           |
|  |          | (116,556)   | (94,190)    |
| <b>Capital expenditure and financial investment</b>                                  |          |             |             |
| Payments to acquire tangible fixed assets  |          | (31,338)    | (14,565)    |
| Receipts from sale of fixed assets/investments                                       |          | -           | 1,761       |
| Cash realised from/placed on short-term deposit                                      |          | 5,029,252   | (1,788,455) |
|  |          | 4,997,914   | (1,801,259) |
| <b>Equity dividends paid</b>   |          | -           | (850,000)   |
| <b>Distributions to minorities</b>   |          | (4,400,000) | (3,689,160) |
| <b>Net cash inflow/(outflow) before management of liquid resources and financing</b> |          | 4,159,648   | (1,155,392) |
| <b>Financing</b>   |          |             |             |
| Minority interest  |          | 387,184     | 180,208     |
| <b>Increase/(decrease) in cash in the year</b>                                       | 18B, 18C | 4,546,832   | (975,184)   |

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards, save with respect to the basis of consolidation, as discussed below. The particular accounting policies adopted are described below and have been applied consistently in the current and prior period.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Going concern

The Group's business activities, together with the factors likely to affect its future development and principal risks are set out in the directors' report on page 2. The Group funds its day-to-day working capital requirements using its cash reserves.

The Group's forecasts and projections show that the Group should be able to generate enough cash to meet its ongoing obligations.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all subsidiary undertakings for the financial year ended 30 June 2012. Subsidiary companies of the Group include general partners of limited partnerships where the substance of the arrangements is that the Group provides investment management services in return for investment management fees. These limited partnerships fall within the definition of subsidiary undertakings that are required to be consolidated under the Companies Act 2006 by virtue of the fact that they are controlled by the general partner. The limited partnerships were set up for the beneficial interest of external parties and the Group's beneficial interest is restricted to the fees it earns from managing the partnerships. The directors have departed from the Companies Act 2006 requirements and accounted for the interests in such partnerships at cost, since the Group's fixed asset investment is in the general partners and not the limited partnerships, and to consolidate would not give a true and fair view. The effect of this departure is quantified in note 20. The results of subsidiaries acquired or sold are consolidated for the period from or to the date on which control passed. Acquisitions are accounted for in the acquisition method.

#### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment, if any. Depreciation is provided on tangible assets on a straight-line basis over the estimated life of each asset.

The rates of depreciation are as follows:

|                                  |               |
|----------------------------------|---------------|
| Fixtures, fittings and equipment | 20% per annum |
|----------------------------------|---------------|

#### Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Any provision for diminution in value should be charged to the profit and loss account.

Investments held as current assets are valued at lower of cost and net realisable value.

#### Interest

Interest income is recognised on the accruals basis and relates to bank interest and interest on UK government securities received and receivable.

# **Abingworth Management Holdings Limited**

## **Notes to the accounts Year ended 30 June 2012**

### **1. Accounting policies (continued)**

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation that arises because of timing differences between the treatments of certain items for taxation and accounting purposes

Current tax is provided at amounts expected to be paid (or received) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

#### **Operating leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

#### **Turnover**

Turnover, which represents advances from the underlying funds, fees receivable for investment management and advisory services, fees for other services and recharges, is recognised in the year in which the service is provided

#### **Pensions**

Retirement benefits for employees are provided by defined contribution schemes which are funded by contributions from the Group and employees. The payments made by the Group are charged against the profits of the period in which they accrue to employees

#### **Dividends**

Dividends are recognised as an appropriation of profit in the year in which they are approved by shareholders or, for interim dividends declared by the Directors, when paid

#### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions or at a contracted rate, if appropriate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. All translation differences are recognised in the profit and loss account and the statement of total recognised gains and losses

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken directly to reserves



# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 2. Turnover

|  | 2012<br>£         | 2011<br>£         |
|--|-------------------|-------------------|
| The analysis by activity is  |                   |                   |
| Fees receivable for advisory and management services                                       | 1,250,339         | 1,840,782         |
| Entitlement to profit share receivable for investment management services (non refundable) | 13,283,888        | 14,775,876        |
| Recharges  | 49,995            | 60,102            |
|  | <u>14,584,222</u> | <u>16,676,760</u> |
| The geographical analysis is   |                   |                   |
| United Kingdom   | 13,283,888        | 14,775,877        |
| Others   | 340,683           | 437,087           |
| Cayman Islands   | 959,651           | 1,463,796         |
|  | <u>14,584,222</u> | <u>16,676,760</u> |

### 3. Profit on ordinary activities before taxation

|  | 2012<br>£      | 2011<br>£      |
|--|----------------|----------------|
| Profit on ordinary activities before taxation is stated after charging/(crediting) |                |                |
| Auditor's remuneration   |                |                |
| - Audit fee – Abingworth Management Holdings Limited                               | 16,424         | 15,489         |
| - Audit fee – Subsidiary undertakings  | 88,712         | 72,036         |
| Depreciation of tangible fixed assets  | 62,962         | 58,981         |
| Loss on disposal of fixed assets   | -              | 280            |
| Exchange loss  | 29,436         | 73,537         |
| Rentals under operating leases   | 669,566        | 668,399        |
|  | <u>669,566</u> | <u>668,399</u> |

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 4. Information regarding directors and employees

|  | 2012<br>£ | 2011<br>£ |
|--|-----------|-----------|
| <b>Directors' emoluments</b>   |           |           |
| Aggregate emoluments   | 665,683   | 922,797   |
| <b>Aggregate emoluments comprise:</b>  |           |           |
| Remuneration for office in/employment by group entities                      | 30,000    | 30,000    |
| Members' priority profit share paid by Abingworth LLP treated as an expense  | 635,683   | 892,797   |
|  | No.       | No.       |
| Number of directors who are members of a defined contribution pension scheme | 2         | 3         |
|  | £         | £         |
| <b>Highest paid director's remuneration:</b>                                 |           |           |
| Aggregate of emoluments  | 615,542   | 828,053   |

### Employee costs (including directors and members of Abingworth LLP) during the year:

|   | 2012<br>£ | 2011<br>£ |
|---|-----------|-----------|
| Wages and salaries  | 3,624,024 | 3,932,008 |
| Social security costs   | 294,467   | 290,506   |
| Pension and other costs   | 461,623   | 433,656   |
| Members' priority profit share paid by Abingworth LLP treated as an expense | 2,992,014 | 3,261,864 |
|   | 7,372,128 | 7,918,034 |

Pension costs represent contributions payable to a defined contribution scheme. Prepaid contributions at 30 June 2010 were £nil (2011 £nil) and amounts outstanding were £17,370 (2011 £3,031) at year end.  
Average number of persons employed by the group

|                      | 2012<br>No. | 2011<br>No. |
|----------------------|-------------|-------------|
| Directors            | 3           | 3           |
| Administrative staff | 27          | 27          |
|                      | 30          | 30          |

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 5. Tax charge on profit on ordinary activities

|  | 2012<br>£       | 2011<br>£        |
|--|-----------------|------------------|
| <b>Current tax</b>   |                 |                  |
| Current year overseas tax                                  | (93,049)        | (115,394)        |
| Over/(under) provision in respect of prior years           | -               | 2,856            |
|  | <u>(93,049)</u> | <u>(112,538)</u> |
| <b>Deferred tax</b>  |                 |                  |
| Origination and reversals of timing differences            | 960,751         | (99,308)         |
| Origination and reversals of timing differences - overseas | (4,208)         | (1,882)          |
| Adjustment in respect of prior years                       | 18,028          | 13,128           |
|  | <u>881,522</u>  | <u>(200,600)</u> |

#### Factors affecting current tax charge

The tax assessed for the year is that resulting from applying the rate of 25.5% (2011: 27.5%)

The differences are explained below

|  | 2012<br>£        | 2011<br>£        |
|--|------------------|------------------|
| Profit on ordinary activities before tax                                   | <u>3,665,160</u> | <u>5,596,062</u> |
| Tax charge at 25.5% (2011: 27.5%) thereon                                  | (934,616)        | (1,538,917)      |
| Effects of   |                  |                  |
| Over provision in respect of prior years                                   | -                | 2,856            |
| Partnership profits taxable in the hands of minorities                     | 708,669          | 1,234,546        |
| Expenses not deductible for tax purposes                                   | (33,539)         | (28,713)         |
| Depreciation in excess of capital allowances                               | (333)            | 2,383            |
| Movement in short-term timing differences                                  |                  | (2,134)          |
| Movement in short-term timing difference - advance on profit share in year | 3,355,293        | 3,633,146        |
| Utilisation of tax losses brought forward                                  | 306,530          | 4,817,288        |
| Overseas tax rates and other disallowables                                 | (45,539)         | (48,670)         |
| Difference between accounting profit on disposal and chargeable gains      | (2,522,663)      | (6,876,311)      |
| Tax losses carried forward   | (934,501)        | (1,313,367)      |
| Non taxable income   | 7,650            | 5,355            |
| Irrecoverable withholding tax  | -                | -                |
|  | <u>(93,049)</u>  | <u>(112,538)</u> |

The tax charge in future periods will be impacted by the change in the UK corporation tax rate to 24% with effect from 1 April 2012

### 6. Dividends

The directors do not recommend a dividend payment for 2012 (2011: £850,000)

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 7. Tangible fixed assets

| Group                            | Fixtures,<br>fittings and<br>equipment<br>£ | Total<br>£ |
|----------------------------------|---|------------|
| <b>Cost:</b>                     |   |            |
| Balance at 1 July 2011           | 784,965                                     | 784,965    |
| Additions                        | 31,338                                      | 31,338     |
| Foreign exchange adjustment      | 545   | 545        |
| At 30 June 2012                  | 816,848                                     | 816,848    |
| <b>Accumulated depreciation:</b> |   |            |
| Balance at 1 July 2011           | 667,823                                     | 667,823    |
| Charge for the year              | 62,962                                      | 62,962     |
| Foreign exchange adjustment      | 156   | 156        |
| At 30 June 2012                  | 730,941                                     | 730,941    |
| <b>Net book value:</b>           |   |            |
| At 30 June 2012                  | 85,907                                      | 85,907     |
| At 30 June 2011                  | 117,142                                     | 117,142    |

### 8. Investments held as fixed assets

|                            | 2012<br>£ | 2011<br>£ |
|----------------------------|-----------|-----------|
| <b>Company</b>             |           |           |
| At Cost and Net Book Value |           |           |
| As at 1 July               | 198,009   | 198,009   |
| Movements for the year     | (2)       | -         |
| and 30 June 2012           | 198,007   | 198,009   |
| <b>Group</b>               |           |           |
| At Cost and Net Book Value |           |           |
| As at 1 July 2011          | 10,572    | 5,100     |
| Valuation adjustment       | (1,371)   | 5,472     |
| As at 30 June 2012         | 9,201     | 10,572    |

The investments of the Company all relate to investments in subsidiary undertakings. The details of all of the investments at 30 June 2012 are disclosed in Note 19 and 20. The investments of the Group relate to participations in investment funds operated and managed by Group companies. The funds invest in companies in life sciences, healthcare and related areas.

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 9. Current asset investments

| Group               | 2012<br>£ | 2011<br>£ |
|---------------------|-----------|-----------|
| Fixed-term deposits | 3,759,248 | 8,788,500 |

### 10. Debtors

|                                | 2012             |              | 2011           |               |
|--------------------------------|------------------|--------------|----------------|---------------|
|                                | Group<br>£       | Company<br>£ | Group<br>£     | Company<br>£  |
| Other debtors                  | 927,018          | -            | 213,360        | 32,382        |
| Prepayments and accrued income | 398,562          | -            | 641,292        | -             |
|                                | <u>1,325,580</u> | <u>-</u>     | <u>854,652</u> | <u>32,382</u> |

### 11. Creditors: amounts falling due within one year

|                              | 2012           |               | 2011           |                |
|------------------------------|----------------|---------------|----------------|----------------|
|                              | Group<br>£     | Company<br>£  | Group<br>£     | Company<br>£   |
| Trade creditors              | 100,224        | -             | 71,455         | -              |
| Taxation and social security | 54,468         | -             | 50,236         | 38,375         |
| Accruals                     | 523,576        | 30,000        | 226,610        | 30,000         |
| Other creditors              | 77,381         | 49,910        | 27,443         | 124,410        |
|                              | <u>755,649</u> | <u>79,910</u> | <u>375,744</u> | <u>192,785</u> |

### 12. Provision for liabilities and charges - deferred taxation

| Group  | 2012<br>£        | 2011<br>£        |
|--|------------------|------------------|
| Balance brought forward as at 1 July                                 | 2,196,074        | 2,108,012        |
| Deferred tax timing differences, originations and reversal           | (960,750)        | 99,308           |
| Deferred tax timing differences, originations and reversal - foreign | 4,208            | 1,882            |
| Adjustment in respect of prior years                                 | (18,028)         | (13,128)         |
| Balance carried forward as at 30 June                                | <u>1,221,504</u> | <u>2,196,074</u> |

#### Analysis of deferred taxation balance:

|  | 2012<br>£        | 2011<br>£        |
|--|------------------|------------------|
| Capital allowances in excess of depreciation | (43,250)         | (49,760)         |
| Losses                                       | (1,128,048)      | (2,336,330)      |
| Deferred tax on future known profit share    | 2,392,802        | 4,582,164        |
| Provision for deferred taxation              | <u>1,221,504</u> | <u>2,196,074</u> |

Deferred taxes are calculated on all timing differences using an effective rate of 24% (2011 26%)

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 13. Called up share capital

| Group and Company  | 2012<br>£ | 2011<br>£ |
|--|-----------|-----------|
| Allotted, called up, and fully paid:<br>200 ordinary shares of £1 each | 200       | 200       |

### 14. Reconciliation of reserves

|   | 2012        |              | 2011        |              |
|---|-------------|--------------|-------------|--------------|
|   | Group<br>£  | Company<br>£ | Group<br>£  | Company<br>£ |
| Balance brought forward as at 1 July  | 2,355,738   | 69,969       | 2,366,999   | 135,048      |
| Profit/(loss) for the year before minority interest and dividends received                | 4,546,682   | (82,296)     | 5,395,462   | (65,079)     |
| Currency translation differences on foreign currency net investment-prior year adjustment | (13,724)    | -            | -           | -            |
| Minority interest   | (2,798,130) | -            | (4,556,723) | -            |
| Dividend received   | -           | 150,000      | -           | 850,000      |
| Dividends paid  | -           | -            | (850,000)   | (850,000)    |
| Profit and loss account as at 30 June   | 4,090,566   | 137,673      | 2,355,738   | 69,969       |
| Capital redemption reserve as at 30 June  | 400         | 400          | 400         | 400          |

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £67,704 (2011 profit of £784,921)

### 15. Reconciliation of movements in group equity shareholders' funds

|   | 2012       |              | 2011       |              |
|---|------------|--------------|------------|--------------|
|   | Group<br>£ | Company<br>£ | Group<br>£ | Company<br>£ |
| Profit/(loss) for the financial year before dividends received                            | 1,748,552  | (82,296)     | 838,739    | (65,079)     |
| Currency translation differences on foreign currency net investment-prior year adjustment | (13,724)   | -            | -          | -            |
| Dividends received on equity shares   | -          | 150,000      | -          | 850,000      |
| Dividends paid on equity shares   | -          | -            | (850,000)  | (850,000)    |
| Net increase/(decrease) in shareholders' funds  | 1,734,828  | 67,704       | (11,261)   | (65,079)     |
| Opening equity shareholders' funds  | 2,356,338  | 70,569       | 2,367,599  | 135,648      |
| Closing equity shareholder's funds  | 4,091,166  | 138,273      | 2,356,338  | 70,569       |

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 16. Reconciliation of movements in minority interest

|   | 2012<br>£          | 2011<br>£        |
|---|--------------------|------------------|
| Members' capital paid into Abingworth LLP   | 215,000            | 155,000          |
| Movement in members' current account  | 172,184            | 25,208           |
| Distribution to minority interests during the year  | (4,400,000)        | (3,689,160)      |
| Minorities' share of profit for the year  | 2,798,130          | 4,556,723        |
| Currency translation differences on foreign currency net investment                       | 16,701             | (37,182)         |
| Currency translation differences on foreign currency net investment-prior year adjustment | 13,724             | -                |
| <b>Net (decrease)/increase in minority interest</b>                                       | <b>(1,184,261)</b> | <b>1,010,589</b> |
| <b>Opening minority interest</b>  | <b>6,602,399</b>   | <b>5,591,810</b> |
| <b>Closing minority interest</b>  | <b>5,418,138</b>   | <b>6,602,399</b> |

### 17. Operating lease commitments

At 30 June 2012 the annual commitments under non-cancellable operating leases are as follows

|                  | 2012           |              | 2011           |              |
|------------------|----------------|--------------|----------------|--------------|
|                  | Group<br>£     | Company<br>£ | Group<br>£     | Company<br>£ |
| Within 1 year    |                |              |                |              |
| - UK             | -              | -            | 420,800        | -            |
| - US             | -              | -            | -              | -            |
| Within 2-5 years |                |              |                |              |
| - UK             | 295,650        | -            | -              | -            |
| - US             | 253,634        | -            | 240,614        | -            |
|                  | <u>549,284</u> | <u>-</u>     | <u>661,414</u> | <u>-</u>     |

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 18. Notes to the cash flow statement

#### A. Reconciliation of operating profit to net cash inflow from operating activities

|   | 2012<br>£        | 2011<br>£        |
|---|------------------|------------------|
| Operating profit                            | 3,645,444        | 5,573,235        |
| Depreciation charges                        | 62,962           | 58,981           |
| Loss on disposal of tangible fixed assets   | -                | 280              |
| Revaluation of investment                   | 1,371            | (5,472)          |
| Foreign exchange adjustment on fixed assets | (389)            | 2,283            |
| (Increase) in debtors                       | (467,788)        | (277,602)        |
| Increase/(decrease) in creditors            | 416,974          | (95,315)         |
| Net cash inflow from operating activities   | <u>3,658,574</u> | <u>5,256,390</u> |

#### B. Reconciliation of net cash flow to movement in net funds

|   | 2012<br>£          | 2011<br>£         |
|---|--------------------|-------------------|
| Increase/(decrease) in cash during the year   | 4,546,832          | (975,184)         |
| (Decrease)/increase in liquid resources       | <u>(5,029,252)</u> | <u>1,788,455</u>  |
| Change in net funds resulting from cash flows | (482,420)          | 813,271           |
| Net funds at beginning of year                | <u>10,548,189</u>  | <u>9,734,918</u>  |
| Net funds at end of year                      | <u>10,065,769</u>  | <u>10,548,189</u> |

#### C. Analysis of net funds

|                           | At<br>30 June<br>2011<br>£ | Cash<br>flow<br>£  | At<br>30 June<br>2012<br>£ |
|---------------------------|----------------------------|--------------------|----------------------------|
| Cash in hand and at bank  | 1,759,689                  | 4,546,832          | 6,306,521                  |
| Current asset investments | <u>8,788,500</u>           | <u>(5,029,252)</u> | <u>3,759,248</u>           |
| Total                     | <u>10,548,189</u>          | <u>(482,420)</u>   | <u>10,065,769</u>          |



# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2012

### 19. Additional information on subsidiaries

| Subsidiary  | Country of incorporation | Activity  | Percentage of ordinary shares and voting rights held |
|---|--------------------------|---|--|
| Abingworth Management Limited                     | Great Britain            | Investment management and advisory services     | 100%   |
| Abingworth Ventures (G P ) Limited                | Great Britain            | General partner of limited partnerships         | 100%   |
| Abingworth Trustee Limited                        | Great Britain            | Custodian trustee of an unauthorised unit trust | 100%   |
| Elkinbrook Limited                                | Great Britain            | Investment dealing company                      | 100%   |
| Abingworth Bioventures IIA GP Limited             | Great Britain            | General partner of limited partnership          | 100%   |
| Abingworth Bioventures III GP Limited             | Great Britain            | General partner of limited partnerships         | 100%   |
| Abingworth Bioventures IV GP Limited              | Great Britain            | General partner of limited partnerships         | 100%   |
| Abingworth LLP                                    | Great Britain            | Investment advisory services                    | 0.0%*  |
| Abingworth Bioventures V GP Limited+              | Great Britain            | General partner of limited partnership          | 0.0%   |
| Abingworth Bioequities Master Fund GP Limited+    | Cayman Islands           | General partner of limited partnership          | 0.0%   |
| Abingworth Management Inc+                        | USA                      | Investment advisory services                    | 0.0%   |
| Abingworth Bioventures VI GP Limited+             | Great Britain            | Member of Abingworth Bioventures VI GP LLP      | 0.0%   |
| Abingworth Bioventures VI Second Partner Limited+ | Great Britain            | Member of Abingworth Bioventures VI GP LLP      | 0.0%   |
| Abingworth General Partner VI LLP+                | Great Britain            | Member of Abingworth Bioventures VI GP LLP      | 0.0%   |

*\*Abingworth Management Ltd has a non equity interest and certain control rights in Abingworth LLP ( 'ALLP' ). The control rights include the rights to appoint Members and consent to Board changes pursuant to the terms of ALLP's partnership agreement. Accordingly the results of ALLP are consolidated into the results of the Group and a minority interest recognised in respect of the interests of other members of the LLP*

*+ 100% subsidiary of ALLP*

### 20. Limited partnerships

As described in note 1, the results of limited partnerships which are controlled by the general partners of investment funds are not consolidated. Had these been consolidated, the effect on the consolidated balance sheet would have been to increase fixed asset investments by £266.2 million (2011: £266 million), increase net current assets by £15.9 million (2011: £25.2 million) and create an associated minority interest of £282.1 million (2011: £291.2 million). In the consolidated profit and loss account, turnover would increase by £10.1 million (2011: £4.2 million), expenses increase by £30.7 million (2011: £22.2 million), investment income increase by £5.4 million (2011: £3.6 million), capital gains of £104.1 million (2011: £49.1 million) would have been recognised and an associated minority interest adjustment of £88.8 million (2011: £34.7 million) would have been made. Consequently, the effect on net assets, retained profit and total recognised gains and losses would be £nil (2011: £nil).

# **Abingworth Management Holdings Limited**

## **Notes to the accounts Year ended 30 June 2012**

### **21. Profit of the Company**

The profit of the Company for the financial year, dealt with in the financial statements of the Group was 67,704 (2011 loss of £65,079) As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company

### **22. Related party transactions**

Abingworth Bioventures IIA GP Ltd acts as general partner to Abingworth Bioventures IIA LP During the year total income of £3,185 (2011 £3,233) was credited on account of the entitlement to receive a share of net income and capital gains from Abingworth Bioventures IIA LP

Abingworth Bioventures III GP Ltd acts as general partner to Abingworth Bioventures III GP LP During the year total income of £982,937 (2011 £2,593,416) was credited on account of the entitlement to receive from Abingworth Bioventures III GP LP a share of the net income and capital gains of Abingworth Bioventures III A LP, Abingworth Bioventures III B LP, Abingworth Bioventures III C LP and Abingworth Bioventures III Executives LP

Abingworth Bioventures IV GP Ltd acts as general partner to Abingworth Bioventures IV GP LP During the year total income of £4,536,901 (2011 £4,444,064) was credited on account of the entitlement to receive from Abingworth Bioventures IV GP LP a share of the net income and capital gains of Abingworth Bioventures IV LP and Abingworth Bioventures IV Executives LP

Abingworth Bioventures V GP Ltd acts as general partner to Abingworth Bioventures V GP LP During the year, total income of £7,797,208 (2011 £7,735,164) was credited on account of the entitlement to receive from Abingworth Bioventures V GP LP a share of the net income and capital gains of Abingworth Bioventures V LP

Stephen Bunting and David Leathers are members of Abingworth LLP

The directors have made investments in, and are entitled to participate in, the carried interest from, certain venture capital funds managed by Abingworth Management Limited and Abingworth LLP

### **23. Controlling party**

Mr S W Bunting and Mr D F J Leathers, directors of the Company, control the Company as a result of controlling, directly or indirectly 50 percent each of the issued share capital

# **Abingworth Management Holdings Limited**

## **Supplementary information**

### **Pillar 3 statement under the capital requirements directive – not subject to audit**

#### **Background**

Current Financial Services Authority (“FSA”) regulations require us to publicly disclose certain details of our risk management policies, processes, capital resources and capital requirements. These are set out in the FSA’s rules in chapter 11 of BIPRU.

The disclosures made here comply with these requirements and aim to provide useful information with regards to our risk management and capital adequacy.

The disclosures are in respect of the consolidated position of Abingworth Management Holdings Limited which has two regulated subsidiaries, Abingworth Management Limited (“AML”) and Abingworth LLP (“ALLP”), which provide investment management and advisory services to specialist funds investing in the life sciences and biotechnology sectors. Abingworth Management Holdings Limited and subsidiaries are referred to as “Abingworth” or “Group” in the remainder of this document.

AML is a subsidiary undertaking of Abingworth Management Holdings Limited. ALLP is a subsidiary undertaking of AML. Both AML and ALLP are authorised and regulated by the Financial Services Authority and are categorised as BIPRU limited license investment firms with a base capital requirement of €125,000.

For commercial and regulatory reasons, capital is not readily transferable between ALLP, AML and the rest of the Group.

#### **Risk management objectives and policies**

Our risk management policy reflects the FSA requirement that we must manage a number of different categories of risk. These include operational, business, credit, liquidity, and market risk. In respect of this disclosure we consider operational and business risks to be most relevant, however, further information on all these risks is set out below.

#### **Operational risk**

Most of our risk management efforts are focused on operational risk. Our policy is to operate a robust and effective risk management process, embedded within the governance and management structures of our business. The concept of reducing risk to acceptable levels implies some articulation of risk appetite.

Our risk management framework defines what operational risk means to us and this is approved by our Board. With Abingworth, we articulate our risk appetite through a framework of targeted key indicators. Target ranges are classified as red (unacceptable), amber (watch list) and green (acceptable). Where these indicators are controllable we aim for residual risk to be outside the red range.

The business is subject to at least an annual risk review conducted by our Compliance Committee overseen by a non-executive director. During these reviews, potential and actual operational risks are identified and controls put in place to mitigate them.

A key area of risk is the potential liability arising from the investment process and the appointment of Abingworth executives to the Boards of portfolio companies. These risks are addressed through training of Abingworth personnel and by ensuring that appropriate insurance cover is in place at both portfolio company and the Group level.

#### **Business risk**

Our business risk assessment principally examines the impact of lower management fees resulting from a fall in assets under management following a market downturn, poor investment performance or loss of key personnel that would lead to lower management fees. To mitigate the impact of our business risk, we have examined our investment processes to ensure that appropriate controls are in place over the making and monitoring of investments, and that our capital resources are sufficient to ensure that we would be able to take the appropriate action if we were to lose the services of key investment personnel.

# Abingworth Management Holdings Limited

## Supplementary information

### Pillar 3 statement under the capital requirements directive – not subject to audit

#### Liquidity and credit risk

Abingworth has minimal liquidity risk as the majority of its assets are held in short-term deposits with major UK clearing banks. The majority of our fee revenue derives from the operation of unregulated collective investment schemes for which we control bank mandates. We do not therefore have a material credit risk.

These risks are not considered material for the purposes of this disclosure.

#### Market risk

Under Pillar 1, our market risk is limited to our exposure to foreign exchange fluctuations, due to some assets and liabilities being denominated in currencies other than sterling.

#### Capital resources and capital resource requirements

In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for a BIPRU firm), our Pillar 1 capital requirement has been determined as being our fixed overhead requirement and not the sum of our credit risk capital requirement and our market risk capital requirement.

The capital resources available to the Group and the principal subsidiaries as at 30 June 2012, and their capital resource requirements are summarised below:

|   | Group<br>£000s | AML<br>£000s | ALLP<br>£000s |
|---|----------------|--------------|---------------|
| Tier 1 capital (minority interests, audited reserves and partnership capital) | 9,509          | 3,015        | 5,607         |
| Deductions from tier 1 and 2 capital  | -              | (600)        | (436)         |
| Total Capital Resources   | <u>9,509</u>   | <u>2,415</u> | <u>5,171</u>  |
| Capital resource requirement under pillars 1 and 2                            | <u>2,490</u>   | <u>1,614</u> | <u>2,319</u>  |

#### Compliance with rules in BIPRU and Pillar 2 rule requirements

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis. We assess the impact of material business risks by modelling the changes in our income and expenses in various potential scenarios over a three-year time horizon.

In addition, we have reviewed the output of our risk reviews. This has identified a number of key risks as disclosed above, which we have classified against the risk categories contained in GENPRU 1.2.30R and reviewed the guidance in BIPRU 2.2.61-65.

#### Credit and market risk

Disclosures in relation to these have been considered immaterial under BIPRU 1.1.3.5R (Exemption from disclosure Materiality), as our capital requirement under GENPRU 2.1.45R (Calculation of the variable capital requirement for a BIPRU firm), is our fixed overheads requirement rather than the sum of our credit risk capital requirement and our market risk capital requirement.

#### Remuneration

Abingworth Management Limited and Abingworth LLP are Remuneration Code Proportionality Tier 4 Firms and have applied the rules appropriate to their Proportionality Tier. The Remuneration Committee is responsible for the Firms' remuneration policy. The firms' capital and liquidity requirements are taken into account in determining any variable remuneration.

## Abingworth Management Holdings Limited

### Supplementary information

#### Pillar 3 statement under the capital requirements directive – not subject to audit

##### Remuneration Code Staff remuneration by business area (BIPRU 11.5.18(6))

| Business area                  | Total remuneration (£000s) |
|--------------------------------|----------------------------|
| Investment team                | 3,477                      |
| Operations and risk management | 615                        |

##### Aggregate quantitative variable remuneration by senior management and other Remuneration Code Staff (BIPRU 11.5 18(7))

| Type of Remuneration Code Staff | Number of staff | Total Remuneration (£000s) |
|---------------------------------|-----------------|----------------------------|
| Senior management               | 7               | 3,873                      |
| Other Remuneration Code Staff   | 2               | 494                        |
| Totals                          | 9               | £4,367                     |