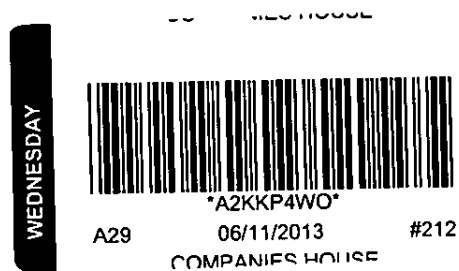


**Company Registration No. 2352178**

**Abingworth Management Holdings Limited**

**Report and Financial Statements**

**30 June 2013**



# **Abingworth Management Holdings Limited**

## **Report and financial statements 2013**

### **Officers and professional advisers**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Consolidated profit and loss account</b>	<b>8</b>
<b>Statement of total recognised gains and losses</b>	<b>9</b>
<b>Consolidated balance sheet</b>	<b>10</b>
<b>Company balance sheet</b>	<b>11</b>
<b>Consolidated cash flow statement</b>	<b>12</b>
<b>Notes to the accounts</b>	<b>13</b>
<b>Notes to the consolidated cash flow statement</b>	<b>22</b>
<b>Pillar 3 statement under the capital requirements directive - not subject to audit</b>	<b>25</b>

# **Abingworth Management Holdings Limited**

## **Report and financial statements 2013**

### **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

The directors present their annual report and the audited financial statements for Abingworth Management Holdings Limited (the "Company") and subsidiaries (together the "Group") or "Abingworth" for the year ended 30 June 2013

### 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 2013, funds under management (comprising the asset value of funds under management and undrawn commitments from investors in the Abingworth Bioventures funds) totalled \$1.6 billion (2012: \$1.4 billion).

During the year to 30 June 2013, the Group made a profit after tax and minority interest of £1,397,023 (2012: profit of £1,748,552) on turnover of £16,209,804 (2012: £14,584,222). 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 2013		30 June 2012	
	Target	Actual	Target	Actual
Operating profit	£4.9 million	£4.1 million	£5.1 million	£3.6 million

### Going concern

The directors of the Group have acknowledged the latest guidance on going concern. While the 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 basis 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. 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, 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 2013 and to the date of this report are

S W Bunting  
D F J Leathers  
D W Quysner

### **Dividends**

The directors paid an interim dividend of £1,500,000 during the year (2012: £nil). There was no final dividend payment (2012: £nil).

### **Charitable donations**

The group made charitable donations of £1,856 (2012: £1,078) 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 ought to have taken as a director in order to make himself 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.

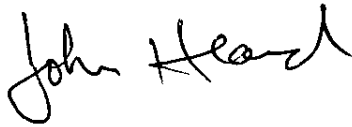
# **Abingworth Management Holdings Limited**

## **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 in a cursive style.

J G Heard  
Secretary

17 October 2013

# **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, subject to any material departures disclosed and explained in the financial statements, 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.

## **Abingworth Management Holdings Limited**

### **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 2013 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 24. 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 Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2013 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



## **Abingworth Management Holdings Limited**

### **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.



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

17 October 2013

# Abingworth Management Holdings Limited

## Consolidated profit and loss account Year ended 30 June 2013

	Notes	2013 £	2012 £
Turnover	2	16,209,804	14,584,222
Administrative expenses		(12,134,712)	(10,938,778)
<b>Operating profit</b>		<b>4,075,092</b>	<b>3,645,444</b>
Interest receivable and similar income		16,126	19,716
<b>Profit on ordinary activities before taxation</b>	3	<b>4,091,218</b>	<b>3,665,160</b>
Tax credit on profit on ordinary activities	5	627,688	881,522
<b>Profit on ordinary activities after taxation before minority interest for the financial year</b>		<b>4,718,906</b>	<b>4,546,682</b>
Minority interest	16	(3,321,883)	(2,798,130)
<b>Profit for the financial year</b>		<b>1,397,023</b>	<b>1,748,552</b>

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

The notes 1 to 24 form an integral part of the accounts

## **Abingworth Management Holdings Limited**

### **Consolidated statement of total recognised gains and losses Year ended 30 June 2013**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities after taxation and minority interest for the financial year	1,397,023	1,748,552
Currency translation differences on foreign currency net investment	34,487	16,701
Total recognised gains relating to the year	<u>1,431,510</u>	<u>1,765,253</u>

The notes 1 to 24 form an integral part of the accounts

# Abingworth Management Holdings Limited

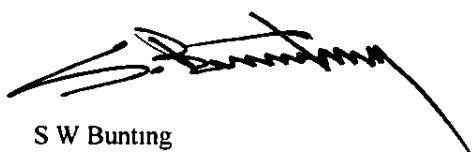
## Consolidated balance sheet At 30 June 2013

	Notes	£	2013 £	£	2012 £
<b>Fixed assets</b>					
Tangible assets	7		251,826		85,907
Investments	8		10,020		9,201
			<u>261,846</u>		<u>95,108</u>
<b>Current assets</b>					
Investments	9	7,361,705		3,759,248	
Debtors	10	1,227,820		1,325,580	
Cash at bank and in hand		2,901,974		6,306,521	
			<u>11,491,499</u>	<u>11,391,349</u>	
<b>Creditors: amounts falling due within one year</b>	11	(1,508,005)		(755,649)	
<b>Net current assets</b>			<u>9,983,494</u>		<u>10,635,700</u>
<b>Total assets less current liabilities</b>			<u>10,245,340</u>		<u>10,730,808</u>
<b>Provision for liabilities and charges</b>	12		(504,549)		(1,221,504)
<b>Net assets</b>			<u>9,740,791</u>		<u>9,509,304</u>
<b>Capital and reserves</b>					
Called up share capital	13		200		200
Capital redemption reserve	14		400		400
Profit and loss account	14		3,987,589		4,090,566
<b>Total equity shareholders' funds</b>	15		<u>3,988,189</u>		<u>4,091,166</u>
Minority interest	16		5,752,602		5,418,138
<b>Total capital employed</b>			<u>9,740,791</u>		<u>9,509,304</u>

The notes 1 to 24 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 2013

Signed on behalf of the Board of Directors



S W Bunting  
Director

# Abingworth Management Holdings Limited

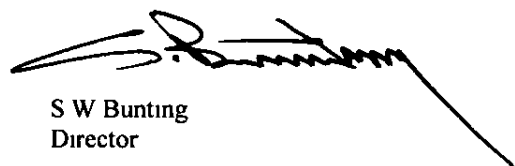
## Company balance sheet At 30 June 2013

	Notes	£	2013 £	£	2012 £
<b>Fixed assets</b>					
Investments	8		198,007		198,007
<b>Current assets</b>					
Debtors	10	16,202		-	
Cash at bank and in hand		201,439		20,176	
		217,641		20,176	
<b>Creditors: amounts falling due within one year</b>	11	(45,000)		(79,910)	
<b>Net current assets</b>			172,641		(59,734)
<b>Total assets less current liabilities</b>			370,648		138,273
<b>Capital and reserves</b>					
Called up share capital	13		200		200
Capital redemption reserve account	14		400		400
Profit and loss account			370,048		137,673
<b>Total equity shareholders' funds</b>			370,648		138,273

The notes 1 to 24 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 2013

Signed on behalf of the Board of Directors



S W Bunting  
Director

# Abingworth Management Holdings Limited

## Cash flow statement Year ended 30 June 2013

	Notes	£	2013 £	£	2012 £
<b>Net cash inflow from operating activities</b>	18A		5,024,449		3,658,574
<b>Returns on investments and servicing of finance</b>					
Interest received		16,126		19,716	
			16,126		19,716
<b>Taxation</b>					
Foreign tax paid		(78,300)		(116,556)	
UK tax paid		-		-	
			(78,300)		(116,556)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(242,534)		(31,338)	
Receipts from sale of fixed assets/investments		75		-	
Cash realised from/placed on short-term deposit		(3,602,457)		5,029,252	
			(3,844,916)		4,997,914
<b>Equity dividends paid</b>			(1,500,000)		-
<b>Distributions to minorities</b>			(2,911,378)		(4,400,000)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>			(3,294,019)		4,159,648
<b>Financing</b>					
Minority interest			(110,528)		387,184
<b>(Decrease)/increase in cash in the year</b>	18B, 18C		<u>(3,404,547)</u>		<u>4,546,832</u>

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 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 2013**

### **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 2013

### 2. Turnover

	2013 £	2012 £
The analysis by activity is		
Fees receivable for advisory and management services	1,607,072	1,250,339
Entitlement to profit share receivable for investment management services (non refundable)	14,424,236	13,283,888
Recharges	178,496	49,995
	<u>16,209,804</u>	<u>14,584,222</u>
The geographical analysis is		
United Kingdom	14,424,236	13,283,888
Cayman Islands	1,464,521	959,651
Others	321,047	340,683
	<u>16,209,804</u>	<u>14,584,222</u>

### 3. Profit on ordinary activities before taxation

	2013 £	2012 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditor's remuneration		
- Audit fee – Abingworth Management Holdings Limited	16,917	16,424
- Audit fee – Subsidiary undertakings	78,713	88,712
Depreciation of tangible fixed assets	77,089	62,962
Loss on disposal of fixed assets	59	-
Exchange (gains)/loss	(24,924)	29,436
Rentals under operating leases	611,383	669,566
	<u>611,383</u>	<u>669,566</u>

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 4. Information regarding directors and employees

	2013 £	2012 £
<b>Directors' emoluments</b>		
Aggregate emoluments	757,887	665,683
<b>Aggregate emoluments comprise:</b>		
Remuneration for office in/employment by group entities	95,132	30,000
Members' priority profit share paid by Abingworth LLP treated as an expense	727,887	635,683
	No.	No.
Number of directors who are members of a defined contribution pension scheme	0	2
	£	£
<b>Highest paid director's remuneration:</b>		
Aggregate of emoluments	687,226	615,542
<b>Employee costs (including directors and members of Abingworth LLP) during the year:</b>		
	2013 £	2012 £
Wages and salaries	3,773,277	3,624,024
Social security costs	270,484	294,467
Pension and other costs	546,274	461,623
Members' priority profit share paid by Abingworth LLP treated as an expense	4,376,720	2,992,014
	8,966,755	7,372,128

Pension costs represent contributions payable to a defined contribution scheme. Prepaid contributions at 30 June 2010 were £nil (2012: £nil) and amounts outstanding were £9,346 (2012: £17,370) at year end.  
Average number of persons employed by the group

	2013 No.	2012 No.
Directors	2	2
Administrative staff	27	27
	29	29

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

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

	2013 £	2012 £
<b>Current tax</b>		
Current year overseas tax	(89,267)	(93,049)
Over/(under) provision in respect of prior years	-	-
	<u>(89,267)</u>	<u>(93,049)</u>
<b>Deferred tax</b>		
Origination and reversals of timing differences	357,905	960,751
Origination and reversals of timing differences - overseas	-	(4,208)
Adjustment in respect of prior years	359,050	18,028
	<u>627,688</u>	<u>881,522</u>
<b>Tax charge on profit on ordinary activities</b>	<u>627,688</u>	<u>881,522</u>

#### Factors affecting current tax charge

The tax assessed for the year is that resulting from applying the rate of 23.75% (2012: 25.5%)

The differences are explained below

	2013 £	2012 £
Profit on ordinary activities before tax	4,091,218	3,665,160
Tax charge at 23.75% (2012: 25.5%) thereon	<u>(971,664)</u>	<u>(934,616)</u>
Effects of		
Partnership profits taxable in the hands of minorities	762,296	708,669
Expenses not deductible for tax purposes	(18,133)	(33,539)
Capital allowances in excess of depreciation	12,840	(333)
Movement in short-term timing difference - advance on profit share in year	2,759,269	3,355,293
Utilisation of tax losses brought forward	1,132,321	306,530
Overseas tax rates and other disallowables	(50,974)	(45,539)
Difference between accounting profit on disposal and chargeable gains	(3,147,783)	(2,522,663)
Tax losses carried forward	(572,299)	(934,501)
Non taxable income	-	7,650
Imputed share of LLP expenses	4,860	-
	<u>(89,267)</u>	<u>(93,049)</u>

The tax charge in future periods will be impacted by the change in the UK corporation tax rate to 23% with effect from 1 April 2013.

### 6. Dividends

The directors paid an interim dividend of £1,500,000 during the year (2012: £ nil). There was no final dividend payment (2012: £ nil)

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 7. Tangible fixed assets

Group	Fixtures, fittings and equipment £	Total £
<b>Cost:</b>		
Balance at 1 July 2012	816,848	816,848
Additions	242,534	242,534
Disposals	(168)	(168)
Foreign exchange adjustment	643	643
At 30 June 2013	1,059,857	1,059,857
<b>Accumulated depreciation:</b>		
Balance at 1 July 2012	730,941	730,941
Charge for the year	76,704	76,704
Disposals	(34)	(34)
Foreign exchange adjustment	420	420
At 30 June 2013	808,031	808,031
<b>Net book value:</b>		
At 30 June 2013	251,826	251,826
At 30 June 2012	85,907	85,907

### 8. Investments held as fixed assets

	2013 £	2012 £
<b>Company</b>		
At Cost and Net Book Value.		
As at 1 July	198,007	198,009
Movements for the year	-	(2)
and 30 June	198,007	198,007
<b>Group</b>		
At Cost and Net Book Value		
As at 1 July	9,201	10,572
Valuation adjustment	819	(1,371)
As at 30 June	10,020	9,201

The investments of the Company all relate to investments in subsidiary undertakings. The details of all of the investments at 30 June 2013 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 2013

### 9. Current asset investments

Group	2013 £	2012 £
Fixed-term deposits	<u>7,361,705</u>	<u>3,759,248</u>

### 10. Debtors

	2013		2012	
	Group £	Company £	Group £	Company £
Trade Debtors	105,152	-	114,597	-
Prepayments and accrued income	320,135	-	398,562	-
Other debtors	802,533	16,202	812,421	-
	<u>1,227,820</u>	<u>16,202</u>	<u>1,325,580</u>	<u>-</u>

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

	2013		2012	
	Group £	Company £	Group £	Company £
Trade creditors	116,589	-	100,224	-
Taxation and social security	59,890	-	54,468	-
Accruals	1,323,698	45,000	523,576	30,000
Other creditors	7,828	-	77,381	49,910
	<u>1,508,005</u>	<u>45,000</u>	<u>755,649</u>	<u>79,910</u>

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

Group	2013 £	2012 £
Balance brought forward as at 1 July	1,221,504	2,196,074
Deferred tax timing differences, originations and reversal	(357,905)	(960,750)
Deferred tax timing differences, originations and reversal - foreign	-	4,208
Adjustment in respect of prior years	(359,050)	(18,028)
Balance carried forward as at 30 June	<u>504,549</u>	<u>1,221,504</u>

#### Analysis of deferred taxation balance:

	2013 £	2012 £
Capital allowances in excess of depreciation	(26,616)	(43,250)
Losses	(1,795,512)	(1,128,048)
Deferred tax on future known profit share	1,876,462	2,392,802
Provision for deferred taxation	<u>54,334</u>	<u>1,221,504</u>

Deferred taxes are calculated on all timing differences using an effective rate of 23% (2012 24%)

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 13 Called up share capital

Group and Company	2013 £	2012 £
Allotted, called up, and fully paid: 200 ordinary shares of £1 each	200	200

### 14. Reconciliation of reserves

	2012		2012	
	Group £	Company £	Group £	Company £
Balance brought forward as at 1 July	4,090,566	137,673	2,355,738	69,969
Profit/(loss) for the year before minority interest and dividends received	4,718,906	(17,625)	4,546,682	(82,296)
Currency translation differences on foreign currency net investment-prior year adjustment	-	-	(13,724)	-
Minority interest	(3,321,883)	-	(2,798,130)	-
Dividend received	-	1,750,000	-	150,000
Dividends paid	(1,500,000)	(1,500,000)	-	-
Profit and loss account as at 30 June	3,987,589	370,048	4,090,566	137,673
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 £232,375 (2012 profit of £67,704).

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

	2012		2012	
	Group £	Company £	Group £	Company £
Profit/(loss) for the financial year before dividends received	1,397,023	(17,625)	1,748,552	(82,296)
Currency translation differences on foreign currency net investment-prior year adjustment	-	-	(13,724)	-
Dividends received	-	1,750,000	-	150,000
Dividends paid	(1,500,000)	(1,500,000)	-	-
Net (decrease)/increase in shareholders' funds	(102,977)	232,375	1,734,828	67,704
Opening equity shareholders' funds	4,091,166	138,273	2,356,338	70,569
Closing equity shareholder's funds	3,988,189	370,648	4,091,166	138,273

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 16. Reconciliation of movements in minority interest

	2013 £	2012 £
Members' capital paid into Abingworth LLP	100,000	215,000
Movement in members' current account	(210,528)	172,184
Distribution to minority interests during the year	(2,911,378)	(4,400,000)
Minorities' share of profit for the year	3,321,883	2,798,130
Currency translation differences on foreign currency net investment	34,487	16,701
Currency translation differences on foreign currency net investment-prior year adjustment	-	13,724
<b>Net increase/(decrease) in minority interest</b>	<b>334,464</b>	<b>(1,184,261)</b>
<b>Opening minority interest</b>	<b>5,418,138</b>	<b>6,602,399</b>
<b>Closing minority interest</b>	<b>5,752,602</b>	<b>5,418,138</b>

### 17. Operating lease commitments

At 30 June 2013 the annual commitments under non-cancellable operating leases are as follows

	2013		2012	
	Group £	Company £	Group £	Company £
Within 2-5 years				
- UK	394,200	-	295,650	-
- US	270,089	-	253,634	-
	<u>664,289</u>	<u>-</u>	<u>549,284</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 2013

### 18. Notes to the cash flow statement

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

	2013 £	2012 £
Operating profit	4,075,092	3,645,444
Depreciation charges	76,704	62,962
Loss on disposal of tangible fixed assets	59	-
Revaluation of investment	(819)	1,371
Foreign exchange adjustment on fixed assets	(223)	(389)
Decrease/(increase) in debtors	94,622	(467,788)
Increase/(decrease) in creditors	779,014	416,974
Net cash inflow from operating activities	<u>5,024,449</u>	<u>3,658,574</u>

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

	2013 £	2012 £
(Decrease)increase in cash during the year	(3,404,547)	4,546,832
Increase(decrease)/increase in liquid resources	<u>3,602,457</u>	<u>(5,029,252)</u>
Change in net funds resulting from cash flows	197,910	(482,420)
Net funds at beginning of year	<u>10,065,769</u>	<u>10,548,189</u>
Net funds at end of year	<u>10,263,679</u>	<u>10,065,769</u>

#### C. Analysis of net funds

	At 30 June 2012 £	Cash flow £	At 30 June 2013 £
Cash in hand and at bank	6,306,521	(3,404,547)	2,901,974
Current asset investments	<u>3,759,248</u>	<u>3,602,457</u>	<u>7,361,705</u>
Total	<u>10,065,769</u>	<u>197,910</u>	<u>10,263,679</u>



# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 19. Additional information on subsidiaries

Subsidiary	Country of incorporation	Activity	Percentage of ordinary shares and voting rights held
Abingworth Management Limited	United Kingdom	Investment management and advisory services	100%
Abingworth Trustee Limited	United Kingdom	Custodian trustee of an unauthorised unit trust	100%
Elkinbrook Limited	United Kingdom	Investment dealing company	100%
Abingworth Bioventures IIA GP Limited	United Kingdom	General partner of limited partnership	100%
Abingworth Bioventures III GP Limited	United Kingdom	General partner of limited partnerships	100%
Abingworth Bioventures IV GP Limited	United Kingdom	General partner of limited partnerships	100%
Abingworth LLP	United Kingdom	Investment advisory services	0.0%*
Abingworth Bioventures V GP Limited+	United Kingdom	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+	United Kingdom	Member of Abingworth Bioventures VI GP LLP	0.0%
Abingworth Bioventures VI Second Partner Limited+	United Kingdom	Member of Abingworth Bioventures VI GP LLP	0.0%
Abingworth General Partner VI LLP+	United Kingdom	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 £528.5 million (2012 £527.4 million), increase net current assets by £15.0 million (2012 £15.9 million) and create an associated minority interest of £543.6 million (2012 £543.3 million). In the consolidated profit and loss account, turnover would increase by £7.6 million (2012 £10.1 million), expenses increase by £31.0 million (2012 £30.7 million), investment income increase by £14.8 million (2012 £5.4 million), capital gains of £113.7 million (2012 £104.1 million) would have been recognised and an associated minority interest adjustment of £105.0 million (2012 £88.8 million) would have been made. Consequently, the effect on net assets, retained profit and total recognised gains and losses would be £nil (2012 £nil).

The 2012 comparative figures given above have been adjusted to reflect a change in accounting policy for investments from a historical cost basis to a fair value basis, which has been adopted by the limited partnerships during the year.

# Abingworth Management Holdings Limited

## Notes to the accounts Year ended 30 June 2013

### 21. Profit of the Company

The profit of the Company for the financial year, dealt with in the financial statements of the Group was £232,215 (2012 profit of £67,704). 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 £3,126 (2012 £3,185) 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 £380,838 (2012 £982,937) 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 £4,484,706 (2012 £4,536,901) 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 £6,857,325 (2012 £7,797,208) 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

Abingworth General Partner VI LLP acts as general partner to Abingworth Bioventures VI GPLP During the year, total income of £2,644,276 (2012 £nil) was credited on account of the entitlement to receive from Abingworth Bioventures VI GP LP a share of the net income and capital gains of Abingworth Bioventures VI LP

S W Bunting and D F J 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

S W Bunting and 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

### 24. Subsequent events

Abingworth's most recent fund, Abingworth Bioventures VI ("ABV VI"), commenced its investment program on 15 September 2012 Since 30 June 2013, ABV VI has accepted further commitments which will result in the recognition of approximately £163,000 of management fee income in the year to 30 June 2014 that relates to investment management activities undertaken in the previous year We have not adjusted the accounts for the year ended 30 June 2013 on the grounds that ABV VI had no contractual obligation to pay management fees in respect of the additional commitments before they were accepted

# **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 €50,000.

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 2013, and their capital resource requirements are summarised below:

	<b>Group £000s</b>	<b>AML £000s</b>	<b>ALLP £000s</b>
Tier 1 capital (minority interests, audited reserves and partnership capital)	8,816	2,498	5,707
Deductions from tier 1 and 2 capital	-	(600)	(394)
Total Capital Resources	<u>8,816</u>	<u>1,898</u>	<u>5,313</u>
Capital resource requirement under pillars 1 and 2	<u>2,605</u>	<u>1,272</u>	<u>2,435</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 Level 3 Firms and have applied the rules appropriate to their Proportionality Level. 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	4,483
Operations and risk management	702

##### Aggregate quantitative 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	4,637
Other Remuneration Code Staff	2	548
<b>Totals</b>	<b>9</b>	<b>£5,185</b>