

**Company Registration No. 2352178**

**Abingworth Management Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 30 June 2017**

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# **Abingworth Management Holdings Limited**

## **Annual Report and financial statements for the year ended 30 June 2017**

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# **Abingworth Management Holdings Limited**

## **Annual Report and financial statements for the year ended 30 June 2017**

### **Officers and professional advisers**

#### **Directors**

S W Bunting (Chairman)  
D F J Leathers (Non Executive)

#### **Company 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  
Statutory Auditor  
London  
EC4A 3TR

#### **Tax Consultant**

BDO Stoy Hayward LLP  
Chartered Accountants  
London & New York

# Abingworth Management Holdings Limited

## Strategic Report

The directors present their strategic report for the year ended 30 June 2017. This strategic report has been prepared for the group as a whole and therefore gives greater emphasis to those matters which are significant to Abingworth Management Holdings Limited, a private company, and its subsidiary undertakings when viewed as a whole.

### Business review and principal activities

The principal activities of Abingworth Management Holdings Limited and its subsidiaries (together “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 2017, funds under management (comprising the asset value of funds under management and undrawn commitments from investors in the Abingworth Bioventures funds) totalled \$1.025 billion (2016: \$969 million). The increase in funds under management reflects increases in the net asset value of the Abingworth Bioventures Funds.

During the year to 30 June 2017, the Group made a loss after tax and minority interest of £2,982 (2016: profit £103,487) on turnover of £9,828,031 (2016: £11,341,892). Turnover and the loss before tax were both impacted by the planned step down in management fees for one of the older funds managed by the Group, Abingworth Bioventures V, which will be partly replaced by income from a new fund, Abingworth Bioventures VII in the next financial year.

The subsidiary and associated undertakings principally affecting the profit or net assets of the Group in the year are listed in note 14 to the financial statements.

### Future developments and events after the balance sheet date

The directors expect the general level of activity to remain consistent in the forthcoming year. Abingworth LLP, the principal operating subsidiary of the Group, has raised a new life science investment fund, Abingworth Bioventures VII, and the size of this fund will be a significant factor in the Group’s management fee income over the next ten years.

The Group will face uncertainty as a result of the referendum on the United Kingdom’s membership of the European Union which will continue until negotiations between the United Kingdom and other member states are complete. The Group’s funds invest in various geography’s including the United Kingdom, the United States of America and continental Europe and the investment strategy is flexible and able to respond changing circumstances in any of these markets. The funds will be exposed to currency volatility in the short to medium term, and it is likely that the rules for accessing funds from European investors will change.

Details of significant events since the balance sheet date are contained in note 18 to the financial statements.

### Key performance indicators (“KPI”)

The directors monitor the business using quarterly management accounts which identify variances between actual and budgeted results focussing on the Group’s operating profit. The most relevant KPI for this report is detailed below:

	30 June 2017		30 June 2016	
	Budget	Actual	Budget	Actual
Operating profit	£1.4 million	£0.3 million	£1.8 million	£1.8 million

The difference between budgeted and actual operating profit arose because the Group’s new fund, Abingworth Bioventures VII closed later than anticipated with a resulting delay in the recognition of fee income.

### Principal 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.

# **Abingworth Management Holdings Limited**

## **Strategic Report (continued)**

### **Principal risks and uncertainties (continued)**

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.

### **Business risk**

Our business risk assessment principally examines the potential 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**

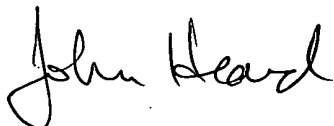
Abingworth has minimal liquidity risk as the majority of its assets are held in short-term deposits with major UK clearing banks. The majority of our fee revenue derives from the operation of unregulated collective investment schemes for which we control bank mandates. We do not therefore have a material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

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



J G Heard  
Company Secretary

19 October 2017

# **Abingworth Management Holdings Limited**

## **Directors' Report**

The directors present their annual report on the affairs of the group, together with the financial statements and the auditor's report for the year ended 30 June 2017.

### **Going concern**

While the volatility in financial and world markets has created general uncertainty as a result of the Referendum (Britain leaving the European Union), 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.

### **Directors**

The directors who served throughout the year ended 30 June 2017 and to the date of this report are:

S W Bunting  
D F J Leathers

### **Future developments and events after the balance sheet date**

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference and events after the balance sheet date are contained in note 18 to the financial statements.

### **Principal risks management objectives and policies**

Details of principal risk management objectives and policies can be found in the Strategic Report on page 2 and 3 and form part of this report by cross reference.

### **Dividends**

The directors paid an interim dividend of £400,000 during the year (2016: £1,250,000). There was no final dividend payment (2016: £nil).

### **Charitable donations**

The group made charitable donations of £382 (2016: £250) during the year.

### **Indemnity**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **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 (continued)**

Deloitte have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an 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  
Company Secretary

19 October 2017

## **Abingworth Management Holdings Limited**

### **Directors' responsibilities statement**

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

# **Independent auditor's report to the members of**

## **Abingworth Management Holdings Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Abingworth Management Holdings Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the accounting policies; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of**

### **Abingworth Management Holdings Limited (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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.

# **Independent auditor's report to the members of**

## **Abingworth Management Holdings Limited (continued)**

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



**Garrath Marshall** (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

19 October 2017

# Abingworth Management Holdings Limited

## Consolidated statement of total comprehensive income For the year ended 30 June 2017

	Notes	2017 £	2016 £
Turnover	2	9,828,031	11,341,892
Administrative expenses		(9,523,800)	(9,552,430)
<b>Operating profit</b>		304,231	1,789,462
Interest receivable and similar income		3,145	7,690
<b>Profit on ordinary activities before taxation</b>	3	307,376	1,797,152
Tax (charge) on profit on ordinary activities	5	(82,713)	(121,649)
<b>Profit for the financial year</b>		224,663	1,675,503
<b>Profit for the year attributable to:</b>			
Non controlling interest		227,645	1,572,016
Equity shareholders of the Company		(2,982)	103,487
<b>Other Comprehensive Income</b>			
Currency translation differences on foreign currency net investment		7,991	53,864
<b>Total comprehensive income</b>		232,654	1,729,367
<b>Total comprehensive income for the year attributable to:</b>			
Non controlling interest		235,636	1,625,880
Equity shareholders of the Company		(2,982)	103,487
		232,654	1,729,367

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

The notes 1 to 18 form an integral part of the financial statements.

# Abingworth Management Holdings Limited

## Consolidated balance sheet As at 30 June 2017


	Notes	£	2017 £	£	2016 £
<b>Fixed assets</b>					
Tangible assets	7		167,188		238,326
Investments	8		17,695		14,356
			<u>184,883</u>		<u>252,682</u>
<b>Current assets</b>					
Bank deposits	9	-		1,223,855	
Debtors	10	1,070,855		1,066,247	
Cash at bank and in hand		4,279,100		3,558,719	
		5,349,955		5,848,821	
<b>Creditors: amounts falling due within one year</b>	11	(970,245)		(1,163,841)	
<b>Net current assets</b>			<u>4,379,710</u>		<u>4,684,980</u>
<b>Total assets less current liabilities</b>			<u>4,564,593</u>		<u>4,937,662</u>
<b>Creditors: amounts falling due within one year</b>					
Provision for liabilities and charges	12		(10,862)		(30,662)
<b>Net assets</b>			<u><u>4,553,731</u></u>		<u><u>4,907,000</u></u>
<b>Capital and reserves</b>					
Called up share capital			200		200
Capital redemption reserve			400		400
Profit and loss account			379,460		782,442
<b>Total equity shareholders' funds</b>			<u>380,060</u>		<u>783,042</u>
Non controlling interest			4,173,671		4,123,958
<b>Total capital employed</b>			<u><u>4,553,731</u></u>		<u><u>4,907,000</u></u>

The notes 1 to 18 form an integral part of the financial statements.

These financial statements (company registration number 2352178) were approved by the Board of Directors and authorised for issue on 19 October 2017.

Signed on behalf of the Board of Directors

S W Bunting  
Director



# Abingworth Management Holdings Limited

## Company balance sheet As at 30 June 2017

	Notes	£	2017 £	£	2016 £
<b>Fixed assets</b>					
Investments	8		198,004		198,004
<b>Current assets</b>					
Debtors	10	6,538		7,235	
Cash at bank and in hand		66,630		100,391	
		73,168		107,626	
<b>Creditors: amounts falling due within one year</b>	11	(114,099)		(112,494)	
<b>Net current assets</b>			(40,931)		(4,868)
<b>Total assets less current liabilities</b>			157,073		193,136
<b>Capital and reserves</b>					
Called up share capital			200		200
Capital redemption reserve account			400		400
Profit and loss account			156,473		192,536
<b>Total equity shareholders' funds</b>			157,073		193,136

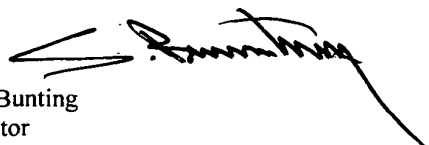
The notes 1 to 18 form an integral part of the financial statements.

These financial statements (company registration number 2352178) were approved by the Board of Directors and authorised for issue on 19 October 2017.

Signed on behalf of the Board of Directors

The parent company has taken the advantage as permitted by Section 408 of the Companies Act 2006 not to present its statement of comprehensive income as part of these financial statements. Total comprehensive loss for the year was £36,063 (2016: loss of £26,884)

S W Bunting  
Director



# Abingworth Management Holdings Limited

## Consolidated statement of cash flows for the year ended 30 June 2017

	2017 £	2016 £
<b>Operating profit</b>	<b>304,231</b>	<b>1,789,462</b>
Adjustment for:		
Increase/(decrease) in fair value of investments	(3,339)	5,172
Depreciation and amortisation	105,395	101,681
Loss on disposal of fixed assets	484	788
Foreign exchange movements	(47,911)	(174,438)
Foreign exchange adjustment on fixed assets	(4,422)	(20,903)
Operating cash flow before movement in working capital	354,438	1,701,762
Decrease/(increase) in debtors	9,293	(102,486)
(Decrease)/increase in creditors	(182,281)	112,829
Cash generated by operations	181,450	1,712,105
Income taxes paid	(127,729)	(8,070)
<b>Net cash inflows from operating activities</b>	<b>53,721</b>	<b>1,704,035</b>
 <b>Cash flows from investing activities</b>		
Proceeds from sale of equipment	287	1,564
Purchase of equipment	(30,606)	(66,026)
Interest received	3,145	7,690
<b>Net cash outflows from investing activities</b>	<b>(27,174)</b>	<b>(56,772)</b>
 <b>Cash flows from financing activities</b>		
Equity dividend paid	(400,000)	(1,250,000)
Distribution to non controlling interest	(244,943)	(2,680,670)
Capital introduced	45,000	(45,000)
Movement on non controlling interest	14,020	(13,383)
<b>Net cash outflows from financing activities</b>	<b>(585,923)</b>	<b>(3,989,053)</b>
 Net decrease in cash and cash equivalents	(559,376)	(2,341,790)
Cash and cash equivalents at beginning of year	4,782,574	6,896,062
Effects of foreign exchange rate changes through profit and loss	47,911	174,438
Effect of foreign exchange rate changes through other comprehensive income	7,991	53,864
<b>Cash and cash equivalents at end of year</b>	<b>4,279,100</b>	<b>4,782,574</b>
 <b>Reconciliation to cash at bank and in hand:</b>		
Cash in hand and at bank	4,279,100	3,558,719
Current asset investments	-	1,223,855
<b>Cash and cash equivalents</b>	<b>4,279,100</b>	<b>4,782,574</b>

The notes 1 to 18 form an integral part of the financial statements.

# Abingworth Management Holdings Limited

## Consolidated Statement of changes in equity For the year ended 30 June 2017

	Note	Called-up share capital £	Capital Redemption reserve £	Profit and loss account £	Total £	Non controlling interest £	Total £
<b>As at 30 June 2015</b>		200	400	1,928,955	1,929,555	5,237,131	7,166,68
Profit for the financial year		-	-	103,487	103,487	1,575,016	1,675,50
Currency translation difference on foreign currency net investments		-	-	-	-	53,864	53,86
<b>Total comprehensive income</b>		-	-	103,487	103,487	1,625,880	1,729,36
Dividends paid on equity shares	6	-	-	(1,250,000)	(1,250,000)	-	(1,250,00
Distribution to non controlling interests		-	-	-	-	(2,680,670)	(2,680,67
Members' capital withdrawn from Abingworth LLP		-	-	-	-	(45,000)	(45,00
Movement in members' current account		-	-	-	-	(13,383)	(13,38
<b>At 30 June 2016</b>		200	400	782,442	783,042	4,123,958	4,907,00
(Loss)/profit for the financial year		-	-	(2,982)	(2,982)	227,645	224,66
Currency translation difference on foreign currency net investments		-	-	-	-	7,991	7,99
		-	-	(2,982)	(2,982)	235,636	232,65
Dividends paid on equity shares	6	-	-	(400,000)	(400,000)	-	(400,00
Distribution to non controlling interest		-	-	-	-	(244,943)	(244,94
Members' capital		-	-	-	-	45,000	45,00
Movement in members' current account		-	-	-	-	14,020	14,02
<b>As at 30 June 2017</b>		200	400	379,460	380,060	4,173,671	4,553,73

The notes 1 to 18 form an integral part of the financial statements.

Called up share capital consists of 200 ordinary share of £1 (par value) fully paid.

## Abingworth Management Holdings Limited

### Company statement of changes in equity For the year ended 30 June 2017

	Note	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
<b>At 30 June 2015</b>		200	400	300,954	301,554
Loss for the financial year		-	-	(26,884)	(26,884)
<b>Total comprehensive loss</b>		-	-	(26,884)	(26,884)
Dividends paid on equity shares	6	-	-	(1,250,000)	(1,250,000)
Dividend received		-	-	1,168,466	1,168,466
<b>At 30 June 2016</b>		200	400	192,536	193,136
Loss for the financial year		-	-	(36,063)	(36,063)
<b>Total comprehensive income</b>		-	-	(36,063)	(36,063)
Dividends paid on equity shares.....6		-	-	(400,000)	(400,000)
Dividends received from subsidiaries		-	-	400,000	400,000
<b>As at 30 June 2017</b>		<b>200</b>	<b>400</b>	<b>156,473</b>	<b>157,073</b>

The notes 1 to 18 form an integral part of the financial statements.

# **Abingworth Management Holdings Limited**

## **Notes to the financial statements For the year ended 30 June 2017**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **General information and basis of accounting**

Abingworth Management Holdings Limited (“the Company”) is a company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the operations and principal activities of the Company and its subsidiaries, together (“the Group”) are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (“FRS 102”) issued by the Financial Reporting Council, except for the requirement to consolidate the limited partnerships controlled by the Group, as stated under the “basis of consolidation” section below.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken the advantage of the disclosure exemption available to it in respect of its separate financial statements which are presented alongside the consolidated financial statements. An exemption has been taken in relation to the presentation of the separate company cash flow statement and financial instruments.

The Company has taken the advantage as permitted by Section 408 of the Companies Act 2006 not to present its statement of comprehensive income as part of these financial statements.

#### **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 4. 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 financial statements.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 June each year.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary companies of the Group also 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 under Companies Act 2006 and Section 9 of FRS 102 by virtue of the fact that they are controlled by the Group. Subsidiary undertakings are required to be consolidated under Section 9 of FRS 102.

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 1. Accounting policies (continued)

#### Basis of consolidation (continued)

Since these limited partnerships were set up for the beneficial interest of external parties and the Group's beneficial interest in these limited partnerships is restricted to the fees it earns from managing these limited partnerships, the management and Directors of the Group have concluded that consolidating these limited partnerships into the Group would be inconsistent with the requirement to give a true and fair view, as required by paragraph 3.2 of FRS 102.

Therefore, the Group has departed from the requirements of Section 9 of FRS 102 to consolidate these limited partnerships and have accounted for the interests in these limited partnerships at cost, in the manner set out in paragraph 3.5 of FRS 102 and as permitted by paragraph 3.4 of FRS 102. The effect of this departure is disclosed in Note 15.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

#### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment, if any. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows.

The rates of depreciation are as follows:

Fixtures, fittings and equipment	20% per annum
Computers	25% per annum

#### Investment in subsidiaries

In the Group balance sheet, investments in subsidiaries are measured at fair value through profit and loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries are held as fixed assets and measured at cost less impairment, in accordance with paragraph 9.26 of FRS 102.

#### Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities comprises: trade debtors, other debtors, trade creditors and other creditors, as presented in Notes 10 and 11, which are measured at undiscounted amount receivable or payable in accordance with paragraph 11.14(a) of FRS 102. Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the entity intends to either settle on a net basis, or to realise the asset or liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires

#### Interest

Interest income is recognised on the accruals basis when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably and relates to bank interest received and receivable.

# **Abingworth Management Holdings Limited**

## **Notes to the financial statements (continued) For the year ended 30 June 2017**

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

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### **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 on an accrual basis and recorded at the fair value of the consideration received or receivable.

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 1. Accounting policies (continued)

#### Employee benefits

The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

#### 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 currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

#### Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements or key sources of estimation certainty relevant to these financial statements except the consolidation of Limited partnership accounts as disclosed in note 15.

### 2. Turnover

	2017 £	2016 £
The analysis by activity is:		
Fees receivable for advisory and management services	545,026	573,338
Entitlement to profit share receivable for investment management services (non refundable)	9,230,645	10,728,464
Other income	52,360	40,090
	<u>9,828,031</u>	<u>11,341,892</u>
The geographical analysis is:		
United Kingdom	9,230,645	10,728,464
Cayman Islands	545,026	547,244
Others	52,360	66,184
	<u>9,828,031</u>	<u>11,341,892</u>

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 3. Profit on ordinary activities before taxation

	2017 £	2016 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration:		
- Statutory audit fee –for the auditing of the financial statements of the company	28,200	22,200
- Statutory audit fee – for the auditing of the financial statements of the Subsidiary undertakings	133,226	87,449
- FCA CASS audit fee – Subsidiary undertakings	9,000	4,000
Depreciation and amortisation	105,395	101,681
Loss on disposal of fixed assets	484	788
Revaluation of investments	(3,339)	5,172
Exchange gains	(47,911)	(174,438)
Rentals under operating leases	518,052	577,430

### 4. Information regarding directors and employees

	2017 £	2016 £
<b>Directors' emoluments</b>		
Aggregate emoluments	384,039	895,782
<b>Aggregate emoluments comprise:</b>		
Members' priority profit share paid by Abingworth LLP treated as an expense	384,039	895,782
	No.	No.
Number of directors who are members of a defined contribution pension scheme	-	-
<b>Highest paid director's remuneration:</b>		
	2017 £	2016 £
Aggregate of emoluments	384,039	895,782

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

	2017 £	2016 £
Wages and salaries	3,401,341	3,684,729
Social security costs	223,777	226,348
Pension and other costs	397,939	415,520
Members' priority profit share paid by Abingworth LLP treated as an expense	2,115,409	2,609,117
	6,138,466	6,935,714

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 4. Information regarding directors and employees (continued)

The Group operates defined contribution retirement benefit schemes for all employees. The total expense charged to profit or loss in the period ended 30 June 2017 was £397,939 (2016: £415,520). Amounts outstanding at the year end for pension contributions were £4,710 (2016: £9,730).

Monthly average number of employees throughout the year:	2017 No.	2016 No.
Director	1	1
Administrative staff	24	24
	<u>25</u>	<u>25</u>

There were no employees of the separate parent company (Abingworth Management Holdings Limited).

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

The tax charge comprises:	2017 £	2016 £
<b>Current tax on profit on ordinary activities</b>		
UK Tax	-	(15,361)
Foreign tax	(110,748)	(109,594)
Over provision in respect of prior year	1,424	-
	<u>(109,324)</u>	<u>(124,955)</u>
<b>Total current tax</b>		
<b>Deferred tax</b>		
Origination and reversals of timing differences	372	3,306
Prior year adjustments	26,239	-
	<u>(82,713)</u>	<u>(121,649)</u>
<b>Total tax on profit on ordinary activities</b>		

The standard rate of tax applied to reported profit on ordinary activities is 19.75% (2016: 20.00%).

There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 5. Tax charge on profit on ordinary activities (continued)

	2017 £	2016 £
<b>Group profit on ordinary activities before tax</b>	307,376	1,797,152
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 19.75% (2016: 20.00%)	(60,707)	(359,430)
Effects of:		
Partnership profits taxable in the hands of minorities	45,717	300,104
Expenses not deductible for tax purposes	(51,014)	(50,470)
Overseas tax rates and other disallowables	(11,370)	(46,449)
Non taxable income	-	885
Deferred tax not recognised	(32,430)	30,362
Change in deferred tax rate	(572)	3,349
Indexation allowance claimed on realised gains	26,239	-
Prior year adjustment	1,424	-
<b>Group total tax charge for period</b>	<b>(82,713)</b>	<b>(121,649)</b>

### 6. Dividends

The company paid an interim dividend of £400,000 during the year (2016: £1,250,000). There was no final dividend payment (2016: £nil).

### 7. Tangible fixed assets

	Group Fixtures, Fittings, equipment & computers £	Total £
<b>Cost</b>		
Balance at 1 July 2016	1,179,206	1,179,206
Additions	30,606	30,606
Disposals	(27,727)	(27,727)
Foreign exchange adjustment	3,544	3,544
At 30 June 2017	1,185,629	1,185,629
<b>Depreciation:</b>		
Balance at 1 July 2016	940,880	940,880
Charge for the year	105,395	105,395
Disposals	(26,956)	(26,956)
Foreign exchange adjustment	(878)	(878)
At 30 June 2017	1,018,441	1,018,441
<b>Net book value:</b>		
At 30 June 2017	167,188	167,188
At 30 June 2016	238,326	238,326

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 8. Investments held as fixed assets

	2017 £	2016 £
<b>Company</b>		
At Cost		
As at 1 July	198,004	198,004
Movements for the year	-	-
and 30 June	<u>198,004</u>	<u>198,004</u>
<b>Group</b>		
At Net Book Value:		
As at 1 July	14,356	19,528
Valuation adjustment	3,339	(5,172)
As at 30 June	<u>17,695</u>	<u>14,356</u>

The investments of the Company all relate to fixed assets investments. The details of all of the investments at 30 June 2017 are disclosed in Note 14. 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.

### 9. Current asset investments

	2017 £	2016 £
<b>Group</b>		
Bank deposits	<u>-</u>	<u>1,223,855</u>

The amounts in the current and preceding years represent treasury deposits with maturity dates of up to one month.

### 10. Debtors due within one year

	2017		2016	
	Group £	Company £	Group £	Company £
Trade debtors	29,004	-	15,877	-
Prepayments and accrued income	386,121	-	661,327	-
Overseas deferred tax	35,823	-	28,199	-
Deferred tax assets	4,384	-	4,642	-
Other debtors	615,523	6,538	356,202	7,235
	<u>1,070,855</u>	<u>6,538</u>	<u>1,066,247</u>	<u>7,235</u>

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

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

	2017		2016	
	Group £	Group £	Group £	Company £
Trade creditors	68,204	-	107,148	-
Taxation and social security	39,343	-	48,864	-
Accruals and deferred income	484,918	45,180	587,370	50,000
Other creditors	316,394	68,919	347,761	62,494
UK tax	6,537	-	15,361	-
Overseas tax	54,849	-	57,337	-
	<u>970,245</u>	<u>114,099</u>	<u>1,163,841</u>	<u>112,494</u>

### 12. Provision for liabilities and charges

	2017 £	2016 £
Other creditors: falling due after one year	4,484	4,484
Deferred tax	<u>6,378</u>	<u>26,178</u>
Provision for deferred taxation	<u>10,862</u>	<u>30,662</u>

£11,320 (2016: £10,275) in deferred tax assets related to the company's losses was not recognised in the company balance sheet at the year end on the basis that the losses are not expected to be utilised in the foreseeable future.

£790,740 (2016: £885,658) in deferred tax assets related to the losses in the Group was not recognised in the consolidated balance sheet at the year end on the basis that the losses are not expected to be utilised in the foreseeable future.

### 13. Financial commitments

At 30 June 2017 total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings Group £	Land and buildings Company £	Land and buildings Group £	Land and buildings Company £
Within 1 year				
- UK	415,730	-	394,200	-
- US	234,166	-	223,053	-
Between 2 – 5 years				
- UK	863,587	-	-	-
- US	384,506	-	583,402	-
More than 5 years				
- UK	-	-	-	-
- US	-	-	20,337	-
	<u>1,897,989</u>	<u>-</u>	<u>1,220,992</u>	<u>-</u>

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 13. Financial commitments (continued)

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.

### 14. Additional information on subsidiaries included in the consolidated financial statements

Subsidiary	Country of incorporation	Registered address	Activity	Percentage of ordinary shares and voting rights held
Abingworth Management Limited* (Registration number 01591587)	United Kingdom	38 Jermyn Street London SW1Y 6DN	Investment management and advisory services	100%
Elkinbrook Limited** (Registration number 02649363)	United Kingdom	38 Jermyn Street London SW1Y 6DN	Dormant	100%
Abingworth Bioventures III GP Limited (Registration number SC211185)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnerships	100%
Abingworth General Partner III LLP (Registration number SO304705)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	100%
Abingworth Bioventures IV GP Limited (Registration number SC245910)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnerships	100%
Abingworth General Partner IV LLP (Registration number SO304704)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	100%
Abingworth LLP (Registration number OC320188)	United Kingdom	38 Jermyn Street London SW1Y 6DN	Investment advisory services	0.0%*
Abingworth Bioventures V GP Limited+ (Registration number SC312191)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	0.0%
Abingworth General Partner V LLP+ (Registration number SO304706)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	0.0%
Abingworth Bioequities Master Fund GP Limited+ (Registration number MC-150405)	Cayman Islands	Ugland House South Church Street George Town Cayman Island	General partner of limited partnership	0.0%
Abingworth Management Inc+ (Federal ID 52-2034456)	USA	3000 Sand Hill Road 94025-7113 Menlo Park USA	Investment advisory services	0.0%
Abingworth Bioventures GP Limited+ (Registration number 08012038)	United Kingdom	38 Jermyn Street London SW1Y 6DN	Member of Abingworth General Partner VI LLP	0.0%
Abingworth Second Partner Limited+ (Registration number 08012043)	United Kingdom	38 Jermyn Street London SW1Y 6DN	Member of Abingworth General Partner companies	0.0%
Abingworth General Partner VI LLP+ (Registration number SO303932)	United Kingdom	38 Jermyn Street London SW1Y 6DN	General partner of limited partnership	0.0%
Abingworth CCD GP Limited+ (Registration number 09622429)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	0.0%
Abingworth CCD General Partner LLP+ (Registration number SO305376)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	0.0%
Abingworth Bioventures GP VII LLP+ (Registration number SO305710)	United Kingdom	50 Lothian Road Edinburgh EH3 9WJ	General partner of limited partnership	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.

\*\* The company is exempt from the requirement to prepare individual accounts by virtue of section 394A.

+ 100% subsidiary of ALLP.

# Abingworth Management Holdings Limited

## Notes to the financial statements (continued) For the year ended 30 June 2017

### 15. 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 as follows:

	2017 £ '000	2016 £ '000
Turnover decreases	(10)	(11)
Expenses increase	(2)	(2)
Investments increase	1	1
Capital gains increase	126	87
Minority interest increases	115	75
	<u>604</u>	<u>497</u>
Fixed assets	604	497
Current assets	20	22
	<u>624</u>	<u>519</u>
	<u>624</u>	<u>519</u>
Minority interest	624	519
	<u>624</u>	<u>519</u>

The limited partnerships mentioned above include:

- Abingworth Bioventures III
- Abingworth Bioventures IV
- Abingworth Bioventures V
- Abingworth Bioventures VI
- Abingworth Clinical Co-Development

### 16. Related party transactions

Abingworth General Partner V LLP acts as general partner to Abingworth Bioventures V GP LP. During the year, £5,406,623 income (2016: £7,166,603 paid to Abingworth Bioventures V GP Limited) 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 £3,763,291 (2016: £3,455,635) 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.

Abingworth Clinical Co Development General Partner LLP acts as general partner to Abingworth Clinical CO Development GPLP. During the year, total income of £69,789 (2016: £106,225) was credited on account of the entitlement to receive from Abingworth Clinical Co Development GP LP a share of the net income and capital gains of Abingworth Clinical Co Development LP.

## **Abingworth Management Holdings Limited**

### **Notes to the financial statements (continued)** **For the year ended 30 June 2017**

#### **16. Related party transactions (continued)**

At year end there is an amount due to Abingworth LLP of £6,426 (2016: due from £515) for recharged expenses. At the end of the year, there was an amount due from Abingworth Bioventures VII LP to the group for £341,579 (2016: £91,271) and £4,097 (2016: £9,660) from Abingworth Clinical co Development LP being expenses recharge.

S W Bunting and D F J Leathers are members of Abingworth LLP. The total remuneration for key management personnel for the period totalled £526,327 (2016: £895,782), being remuneration disclosed in note 4.

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

#### **17. 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.

#### **18. Subsequent events**

There were no post balance sheet events occurring after the balance sheet date.

# **Abingworth Management Holdings Limited**

## **Unaudited supplementary information For the year ended 30 June 2017**

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

#### **Background**

Current Financial Conduct Authority (“FCA”) 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 FCA’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 Conduct Authority. Abingworth Management Limited is categorised as a BIPRU limited license investment firm with a base capital requirement of €50,000, and ALLP is an AIFM 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 FCA 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

## Unaudited supplementary information For the year ended 30 June 2017

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

#### 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 2017, and their capital resource requirements are summarised below:

	Group £000s	AML £000s	ALLP £000s
Tier 1 capital (minority interests, audited reserves and partnership capital)	4,554	783	4,485
Deductions from tier 1 and 2 capital	-	(300)	(229)
Total Capital Resources	<u>4,554</u>	<u>483</u>	<u>4,256</u>
Capital resource requirement under pillars 1 and 2	<u>2,414</u>	<u>44</u>	<u>2,501</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 11.3.5R (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 does not pay remuneration. Abingworth LLP is subject to the remuneration rules for alternative investment fund managers and has applied these rules to the extent proportionate for a firm of its size and complexity. The firms' capital and liquidity requirements are taken into account in determining any variable remuneration.