KPMG

Ludwig Institute for Cancer Research Ltd, Zurich

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders

Financial Statements 2013

KPMG AG

Zurich, 16 May 2014

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Ludwig Institute for Cancer Research Ltd, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Ludwig Institute for Cancer Research Ltd, which comprise the balance sheet, income statement and notes for the year ended 31 December 2013.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Michael Herzog	Marc Sterchi
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 16 May 2014

Enclosures
Financial statements (balance sheet, income statement and notes)
Proposed appropriation of available earnings

Ludwig Institute for Cancer Research Ltd, Zurich

Balance Sheet as at December 31, 2013

	USD		CHF	
	2013	**2012**	**2013**	**2012**
Assets				
Current assets				
Liquid funds (Notes 1 & 2)	20,233,854	22,138,495	17,996,051	20,265,932
Fixed term deposits (Notes 1 & 2)	8,219,944	6,439,223	7,310,908	5,894,618
Other receivables -				
Third parties	2,544,755	2,640,414	2,263,331	2,417,059
External funding	2,757,154	3,888,612	2,452,238	3,559,672
Prepayments and accrued income	2,681,893	3,120,349	2,385,285	2,856,387
Total current assets	36,437,600	38,227,093	32,407,813	34,993,668
Fixed assets				
Financial fixed assets -				
Investments (Note 4)	6,653,250	7,080,599	5,917,408	6,481,635
Other (Notes 1 & 5)	980,890	1,517,679	872,430	1,389,319
Total fixed assets	7,634,140	8,598,278	6,789,838	7,870,954
Total assets	44,071,740	46,825,371	39,197,651	42,864,622
Liabilities and Net worth				
Current liabilities				
Accounts payable - third parties (Note 7)	7,666,175	8,873,562	6,818,345	8,122,981
Accruals	6,937,266	6,507,197	6,170,075	5,956,785
Provisions (Note 8)	7,507,928	5,839,674	6,677,567	5,345,653
Deferred income (Notes 1 & 10)	5,195,543	6,887,424	4,621,028	6,304,919
Total current liabilities	27,306,912	28,107,857	24,287,015	25,730,338
Long term liabilities				
Payables	245,274	72,800	218,147	66,641
Accruals	90,483	138,663	80,477	126,934
Provisions (Note 8)	271,181	1,101,171	241,201	1,008,045
Total long term liabilities	606,938	1,312,634	539,825	1,201,620
Total liabilities	27,913,850	29,420,491	24,826,840	26,931,958
Net worth				
Share capital (Note 1)	33,722	33,722	50,000	50,000
Legal reserve (Note 1)	6,744	6,744	10,000	10,000
Cumulative exchange adjustment (Note 1)	26,995	25,079	0	0
Excess of income over expenditure	16,090,429	17,339,335	14,310,811	15,872,664
Net worth	16,157,890	17,404,880	14,370,811	15,932,664
Total liabilities and Net worth	44,071,740	46,825,371	39,197,651	42,864,622

Ludwig Institute for Cancer Research Ltd, Zurich

Statement of Income and Expenditure
for the year ended December 31, 2013

	USD		CHF	
	2013	2012	2013	2012
Income				
Contributions and transfers (Notes 1 & 11)	68,861,741	76,750,745	64,864,005	72,651,183
Interest (Note 1)	290,494	488,817	272,800	463,381
External funding (Notes 1 & 10)	32,938,476	41,070,967	30,931,919	38,932,773
Licenses and patents (Notes 1 & 3)	4,727,046	4,910,435	4,438,641	4,654,231
Other income	3,347	25,317	3,143	24,002
Total income	106,821,104	123,246,281	100,510,508	116,725,570
Medical research and related expenditure				
Salaries & social benefits (Notes 7 & 11)	49,678,142	57,741,282	46,650,784	54,736,133
Laboratory	12,102,973	13,907,139	11,365,379	13,182,904
Equipment & other assets (Note 1)	2,879,935	4,495,805	2,704,633	4,261,948
Leasehold improvements (Note 1)	168,302	209,448	158,052	198,565
Clinical trials	2,811,627	2,882,004	2,640,393	2,732,278
Collaborative research programs	24,324,759	17,918,393	22,842,674	16,987,367
Occupancy (Note 11)	6,327,794	6,478,673	5,942,440	6,141,791
Travel	723,982	998,866	679,864	946,987
Scientific conferences, seminars etc.	527,797	823,435	495,659	780,591
Consultants	1,173,081	2,021,296	1,101,636	1,916,271
Patent costs	996,235	1,511,919	935,431	1,433,008
Other operating expenses	5,894,327	4,933,361	5,535,279	4,677,173
Total medical research and related expenditure	107,608,954	113,921,621	101,052,224	107,995,016
Excess of (expenditure over income) / income over expenditure before other items	(787,850)	9,324,660	(541,716)	8,730,554
Other items				
Net gain / (loss) on foreign exchange (Note 1)	382,191	258,736	(228,290)	(106,059)
Net realised gain on investments	27,419	0	25,749	0
Net unrealised depreciation on investments	(870,666)	(293,853)	(817,596)	(278,558)
Excess of (expenditure over income) / income over expenditure for the year	(1,248,906)	9,289,543	(1,561,853)	8,345,937
Excess of income over expenditure at the beginning of the year	17,339,335	8,049,792	15,872,664	7,526,727
Excess of income over expenditure at the end of the year	16,090,429	17,339,335	14,310,811	15,872,664

Notes to the Financial Statements – December 31, 2013

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations.

Liquid funds and fixed term deposits

Cash on hand and at banks and funds on call available within 48 hours are classified as liquid funds. Cash deposits fixed for periods longer than 48 hours are classified as fixed term deposits.

Income

Contributions and transfers are accounted for on the cash basis.

Interest is accounted for on the accruals basis.

External funding received from any outside source, whether of cash or a non-cash nature, is recorded in the books of the Ludwig Institute for Cancer Research Ltd (the Institute) upon receipt. External funding received is taken to income when the corresponding expenditure is incurred. Any unspent income is deferred to future accounting periods. External funding pledged, but not received where expenditure has been incurred, is taken to account as income and is accounted for as Other receivables - External funding.

Licenses and patents are accounted for on the modified cash basis.

Translation of foreign exchange transactions

The Institute's offices' Swiss Franc transactions and the Lausanne Branch and Centre's operations are recorded in Swiss Francs. Those of the Brussels, Oxford, Melbourne, New York, San Diego, Sao Paulo, Stockholm and Uppsala Branches are recorded in the currencies of their respective countries. The foreign branch accounts and the Zurich and New York offices' transactions in currencies other than Swiss Francs are translated for the purpose of preparing statutory financial statements of the Institute as a whole into Swiss Francs in accordance with the following principles: -

i). Income – contributions and transfers at the monthly rates as published by the Swiss Federal Tax Administration. All other income is translated at the yearly average of the monthly rates as published by the Swiss Federal Tax Administration.

ii). Expenditure - at the yearly average of the monthly rates as published by the Swiss Federal Tax Administration.

iii). Assets and liabilities - at the London closing rates of exchange at the end of the year.

The US Dollar (USD) equivalents of the statutory financial statements in Swiss Francs (CHF) are presented in accordance with the same principles as stated above and in addition, Share capital, Legal reserve and the Balance of income at the beginning of the year are translated at historical rates.

The resulting translation adjustments are included in the Excess of (expenditure over income) / income over expenditure for the year.

Tangible fixed assets

Expenditure on equipment and other assets and leasehold improvements is expensed in the year of acquisition.

Financial fixed assets - Other

Investments in companies, which are traded on a stock exchange, are valued at the stock market price prevailing at the end of the year, as these values are lower than the respective acquisition cost. All other investments are valued at acquisition cost.

2 Pledged assets

The Institute has pledged all its assets with a financial institution as collateral for a letter of credit of USD 0.8 Mio. (CHF 0.7 Mio.). The letter of credit has been issued to the lessor of the New York office premises and as per December 31, 2013 and 2012 these assets amounted to USD 10.5 Mio. (CHF 9.4 Mio.) and USD 14.0 Mio. (CHF 12.8 Mio.) respectively.

3 Income - Licenses and patents

Income - Licenses and patents is shown net of co-owners' share of income.

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Gross licenses and patents income	6,713,235	7,078,397	6,304,399	6,709,676
Co-owners' share distributed	1,986,189	2,167,962	1,865,758	2,055,445
Net licenses and patents income	4,727,046	4,910,435	4,438,641	4,654,231

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4 Financial fixed assets – Investments

Description	USD 2013	USD 2012	CHF 2013	CHF 2012
Universe Tankships, Inc.				
Book value	5,103,000	5,103,000	4,538,608	4,671,286
Percentage owned	100%	100%	100%	100%
Dividends paid to Institute	0	0	0	0
iTeos Therapeutics SA				
Book value	2,066,999	1,977,599	1,838,399	1,810,349
Value adjustment to book value	(516,749)	0	(459,599)	0
Percentage owned	49.75%	49.75%	49.75%	49.75%
Dividends paid to Institute	0	0	0	0
TC Metrix Sàrl				
Book value	22,487	21,848	20,000	20,000
Value adjustment to book value	(22,487)	(21,848)	(20,000)	(20,000)
Percentage owned	80%	80%	80%	80%
Dividends paid to institute	0	0	0	0
Total Financial fixed assets - Investments	6,653,250	7,080,599	5,917,408	6,481,635

Universe Tankships, Inc., Monrovia, Liberia, has been accounted for at acquisition cost.

In 2012 the Institute launched iTeos Therapeutics SA (iTeos), Ottignies-Louvain-La-Neuve, Belgium, together with the de Duve Institute at the Catholic University of Louvain. The company aims to translate LICR licensed knowledge into novel immunomodulatory therapies for cancer. The nominal share capital including the premium on capital stock amounted to EUR 3,076,498 (USD 4,056,055, CHF 3,713,025). In 2012 the investment has been accounted for at acquisition cost and includes a second call of capital and premium of EUR 1,507,498 (USD 1,987,486, CHF 1,819,400) as a deferred consideration. In 2013 a value adjustment of EUR 374,999 (USD 516,749, CHF 459,599) has been made to the book value.

In 2012 the Institute founded the company TC Metrix Sàrl (TC Metrix), Epalinges, Switzerland, together with former employees of the Lausanne branch. The nominal share capital is CHF 25,000. The company engages in the development and commercialisation of reagents for diagnosis of lymphocytes T specific antigens (Tetramers). As per December 31, 2012, considering the financial results and the medium-term prospects of the company, the carrying value of the acquisition costs of the nominal capital was adjusted to nil and this book value is retained at December 31, 2013.

5 Financial fixed assets – Other

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Ark Therapeutics Group plc				
Net investment	3,023	29,669	2,688	27,159
Percentage owned	0.3%	0.3%	0.3%	0.3%
Circadian Technologies Ltd.				
Net investment	558,604	1,134,473	496,849	1,038,532
Percentage owned	6.4%	6.7%	6.4%	6.7%
Life Sciences Pharmaceuticals, Inc.				
Net investment	1,457	1,457	1,296	1,334
Percentage owned	13.7%	13.7%	13.7%	13.7%
Recepta Biopharma S.A.				
Net investment	327	327	291	300
Percentage owned	29.6%	35.3%	29.6%	35.3%
CT Atlantic AG				
Net investment	11,244	10,924	10,000	10,000
Percentage owned	3.8%	3.8%	3.8%	3.8%
Serametrix Corporation				
Net investment	100	100	89	91
Percentage owned	5.0%	5.0%	5.0%	5.0%
Ludwig Technologies, Inc.				
Net investment	100	100	89	91
Percentage owned	100.0%	100.0%	100.0%	100.0%
Cancer Vaccine Acceleration Company, LLC				
Net investment	100	100	89	91
Percentage owned	50.0%	50.0%	50.0%	50.0%
Activiomics Ltd				
Net Investment	1	1	1	1
Percentage owned	2.0%	5.0%	2.0%	5.0%
TC Metrix Sàrl				
Long term receivable	135,572	131,722	120,578	120,578
Loan (subordinated)	337,306	163,863	300,000	150,000
Value adjustment	(472,878)	(295,585)	(420,578)	(270,578)
Loans to staff	160,660	267,728	142,891	245,078
US 457b Pension plan	245,274	72,800	218,147	66,642
Total Financial fixed assets - Other	980,890	1,517,679	872,430	1,389,319

The Institute is committed to disseminating its know-how to the global research community. All investments in the start-up organisations shown above have been acquired or founded as part of licensing arrangements, transferring Institute research knowledge to these companies. Participation in these entities does not form part of the Institute's long term strategy and the respective investments, if not quoted on a stock exchange, are accounted for at acquisition cost.

With respect to investments with a percentage owned of more than 20%, the following information is provided:

i). The nominal share capital of Recepta Biopharma S.A., Sao Paulo, Brazil, is BRL 1,000. It conducts medical research, develops, produces and commercialises humanised antibodies for the diagnosis of human cancer.

ii). In order to administer intellectual property assets in areas other than cancer, in 2010 the Institute founded Ludwig Technologies, Inc., Delaware, USA. The nominal share capital is USD 100.

iii). In 2010 the Institute entered into a joint venture with the Cancer Research Institute and formed the company Cancer Vaccine Acceleration Company, LLC, Delaware, USA. The purpose of the company is to identify novel opportunities for the development of cancer vaccine and immunotherapy and to obtain, hold and develop intellectual property. The nominal share capital is USD 200.

With respect to TC Metrix (see Financial fixed assets – Investments) in view of the financial results as per December 31, 2013 and 2012 and the medium-term prospects, a value adjustment has been made for the long term receivable and the loan.

The Institute has granted various housing loans to San Diego Branch staff primarily upon relocation to working at the Branch. The outstanding long term receivables as at December 31, 2013 amounted to USD 160,660 (CHF 142,891) and as at December 31, 2012 amounted to USD 267,728 (CHF 245,078). Short-term receivables for these loans are recorded under Other receivables – Third parties in Current assets and amounted to USD 42,068 (CHF 37,416) in 2013 and USD 42,068 (CHF 38,509) in 2012.

6 Fire insurance values

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Equipment and other assets	64,464,321	63,612,530	57,335,169	58,231,674
Leasehold improvements	5,524,745	8,375,473	4,913,781	7,667,061
Fire insurance values of tangible fixed assets	69,989,066	71,988,003	62,248,950	65,898,735

7 Accounts payable - pension funds

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Current liabilities				
Accounts payable third parties	49,061	135,017	43,635	123,595

The above table illustrates the amount, within the Accounts payable - third parties balance sheet item, that is payable to pension funds. Institute wide, the annual cost of the employer's contributions in 2013 and 2012 for all plans amounted to USD 3,907,966 (CHF 3,669,811) and USD 4,041,885 (CHF 3,831,546) respectively.

In Switzerland, the Institute operates a scheme with the VITA Collective Insurance Foundation (VITA) for the staff at the Lausanne Branch. The invested capital amounted to USD 2.5 Mio. (CHF 2.2 Mio.) as of December 31, 2013 and USD 2.3 Mio. (CHF 2.1 Mio.) as of December 31, 2012. VITA has communicated a funding ratio of 107.5% as of December 31, 2013. In order to finance any funding shortage VITA may raise future employee and employer contributions.

In addition, the Institute operates in Switzerland a scheme with the AXA Foundation for Occupational Benefits (AXA) for staff employed at the Zurich office. The invested capital as of December 31, 2013 amounted to USD 7.7 Mio. (CHF 6.9 Mio.) and USD 7.3 Mio. (CHF 6.7 Mio.) as of December 31, 2012. The capital invested is guaranteed 100% by AXA.

Listed below are all other pension schemes in respect of the Institute's locations outside Switzerland for which the Swiss Federal Law on Occupation Retirement, Survivors and Disability does not apply but various disclosures are provided.

In Australia, during 2013 and 2012 the Melbourne-Parkville and the Melbourne-Austin branches were registered employers with the Defined Benefit Division of UniSuper (UniSuper DBD), a pension scheme for Australian universities and associated organisations. Clause 34 of the UniSuper Trust Deed allows participating employers to treat the UniSuper defined benefit plan as a defined contribution fund. UniSuper DBD publishes quarterly estimates of the Vested Benefit Index (VBI - the ratio of net market value of assets to vested benefits) and Accrued Benefits Index (ABI - the ratio of net market assets to accrued benefits). These are key actuarial measures used to monitor the financial position of UniSuper DBD. As per June 2013 UniSuper DBD estimated that the VBI was 94.7% and the ABI was 106%. As at June 30, 2013, the assets of the Unisuper DBD in aggregate were estimated to be AUD 691.0 Mio (USD 618.2 Mio, CHF 549.8 Mio) in deficiency of vested benefits and the assets of the Unisuper DBD were estimated to be AUD 861.0 Mio (USD 770.3 Mio, CHF 685.1 Mio) above accrued benefits.

Clause 34 of the Trust Deed provides a mechanism for reducing benefits if after a period of four years, during which two further actuarial investigations are completed, the Trustee still considers that UniSuper DBD is or may be insufficiently funded to provide the current level of benefits. Following the actuarial valuation as of December 31, 2008, the clause 34 process was initiated and has since been renewed in June 30, 2011, June 30, 2012 and June 30, 2013. Following the end of the monitoring period commenced in relation to the December 31, 2008 actuarial investigation, the Unisuper DBD Board made a decision not to reduce accrued benefits but to reduce the rate at which benefits accrue in respect of the DBD membership after January 1, 2015.

In Belgium, a scheme was in place during 2013 and 2012 providing target benefits upon retirement to staff at the Brussels Branch. The plan is administered by and funds are invested with the AG Insurance Company, Brussels. The insurance company recalculates the contributions to be paid to finance the target pension benefits on an annual basis.

In Brazil, during 2013 and 2012 the Institute operated two defined contribution schemes at its Sao Paulo Branch. The Life Free Benefits Generator scheme and the Free Benefits Generator Plan are administered by and funds are invested with the Itau / Unibanco Life and Provident Ltd.

In Sweden, the Institute operates the Optional ITP Plan 1 (Plan 1), a defined contribution scheme, the Optional ITP Plan 2 (Plan 2), a defined benefit scheme, and the SPP Alternative ITP Plan, a defined contribution scheme, with the SPP Life Insurance Company. The Plans cover different types of income classes. For the defined benefit schemes the insurance company recalculates the contributions to be paid to finance the target pension benefits on an annual basis.

In the United Kingdom, the Institute is a registered employer with the Universities Superannuation Scheme (the USS scheme) which sets the level of contributions based on the advice of the scheme's actuary. In view of the size of the scheme and the Institute's limited participation in the management of the scheme, this scheme is treated as a defined contribution scheme. The last actuarial valuation took place on March 31, 2011 and this showed under the Technical Provisions basis, as required by the UK Pensions Regulator, a funding level of 92%. It is envisaged that the employer contribution level of 16% shall remain unchanged through to 2017. Following legislation introduced in the United Kingdom in September 2005, special provisions apply in the event of either an employer winding up a pension scheme or causing a cessation event to occur as a registered employer of a multi-employer pension scheme. In these cases, the employer is required to make additional funding available to buyout all liabilities with an insurance company (defined either as "buyout-debt" or "Section 75 debt") or, for multi-employer schemes with continuing indirect participation, to enter into an approved withdrawal arrangement (AWA). Subject to agreement with the trustee of the pension scheme and the pension regulator, under an AWA, a guarantee is to be provided by the employer to the trustee of the pension scheme and the additional funding requirement is deferred until the trustee requires it to be paid or the scheme commences wind-up.

Liability incurred by buying out debt with insurance companies is invariably significantly greater than that calculated using traditional actuarial valuations.

The Institute's Board of Directors has reviewed the position taking into account the various on-going employment situations in the United Kingdom. As the USS scheme continues to have active members, and it is intended to retain the scheme for active members, the Board has concluded that there is no need to make provision for buyout-debt as of December 2013 and 2012.

In the event that a buyout-debt liability would be incurred for the USS scheme in the United Kingdom, the cost thereof, based on information provided by the respective actuary using the last triennial valuation and current industry experience, is estimated at USD 8.0 Mio. (CHF 7.1 Mio.) as of December 31, 2013 and USD 7.5 Mio. (CHF 6.8 Mio.) as of December 31, 2012.

In addition to the USS scheme, the Institute is the only registered employer of the Federated Pension Scheme for Ludwig Institute for Cancer Research (the FPS scheme) in the United Kingdom. It has been decided to secure liabilities and consider closing future accrual to the scheme. The provision previously set up to provide additional funding to the scheme on an on-going basis, shall now be used for this purpose (see Note 8 Provisions).

In the United States of America, the Institute operated The Ludwig Institute for Cancer Research Retirement Savings Plan (the LICRRS Plan). The LICRRS Plan is organised under Section 403(b) of the Internal Revenue Code and is a defined contribution scheme.

8 Provisions

USD	Tax related	Pension schemes	Restruc-turing	Other	Total
Total provisions as per 31.12.11	2,590,739	1,849,693	4,169,956	1,327,824	9,938,212
Additions	128,467	379,200	1,384,368	141,562	2,033,597
Utilisations	0	(582,383)	(2,574,929)	(162,000)	(3,319,312)
Dissolutions	0	(266,561)	(1,641,576)	0	(1,908,137)
Currency adjustments	60,344	83,001	53,140	0	196,485
Total provisions as per 31.12.12	2,779,550	1,462,950	1,390,959	1,307,386	6,940,845
thereof current					5,839,674
Additions	1,741,029	541,478	275,293	395,499	2,953,299
Utilisations	0	(532,104)	(289,788)	(523,000)	(1,344,892)
Dissolutions	(111,170)	(32,808)	(314,624)	(384,386)	(842,988)
Currency adjustments	172,332	26,310	(101,893)	(23,904)	72,845
Total provisions as per 31.12.13	4,581,741	1,465,826	959,947	771,595	7,779,109
thereof current					7,507,928

CHF	Tax related	Pension schemes	Restruc-turing	Other	Total
Total provisions as per 31.12.11	2,422,600	1,729,601	3,899,471	1,241,648	9,293,320
Additions	121,800	359,448	1,312,362	134,147	1,927,757
Utilisations	0	(543,326)	(2,399,880)	(150,088)	(3,093,294)
Dissolutions	0	(244,013)	(1,502,749)	0	(1,746,762)
Currency adjustments	0	37,490	(35,887)	(28,926)	(27,323)
Total provisions as per 31.12.12	2,544,400	1,339,200	1,273,317	1,196,781	6,353,698
thereof current					5,345,653
Additions	1,635,000	508,378	258,528	371,460	2,773,366
Utilisations	0	(499,577)	(272,140)	(491,149)	(1,262,866)
Dissolutions	(104,400)	(30,803)	(295,520)	(360,977)	(791,700)
Currency adjustments	0	(13,504)	(110,379)	(29,847)	(153,730)
Total provisions as per 31.12.13	4,075,000	1,303,694	853,806	686,268	6,918,768
thereof current					6,677,567

Tax related

The Institute is registered for value added tax in Switzerland.

In September 2004, the Swiss Federal Tax Administration carried out an audit at the Institute's Zurich office. In an informal report, the Swiss Federal Tax Administration questioned the method used by the Institute in calculating the reduction of the input tax for the years 2000 to 2004.

The report set out three different methods to calculate the input tax reduction with claims ranging for 2003 - the year audited in detail - between USD 782,637 (CHF 889,937) and USD 817,696 (CHF 929,802).

In May 2005 the Swiss Federal Tax Administration revised their initial position and invoiced the Institute for a total amount of USD 1,319,983 (CHF 1,739,606) with amounts ranging between USD 229,051 (CHF 301,866) and USD 284,091 (CHF 374,404) for the years 2000 to 2004.

The Institute's management continues to be not in agreement with these calculations and its tax advisors wrote to the Swiss Federal Tax Administration in June 2005 setting out again the Institute's position. The Swiss Federal Tax Administration has not, as yet, responded to this letter. In order to prevent any limitation of claim by the Institute, the professional tax advisors wrote to the Swiss Federal Tax Administration again in February 2012. In December 2012 the Swiss Federal Tax Administration informed the Institute that this matter was still pending and notified the Institute of the interruption of the limitation of the claim for the years 2007 to 2009.

In the opinion of management, based on professional advice received, the Institute expects a further substantial reduction in the claim by the Swiss Federal Tax Administration. However, taking account of the developments that took place in 2005, for the sake of prudence, a provision of USD 914,333 (CHF 1,205,000) was included in the 2005 financial statements. As of December 31, 2013 and December 31, 2012, this provision amounted to USD 2,841,241 (CHF 2,527,000) and USD 2,665,501 (CHF 2,440,000) respectively.

As from January 1, 2010 a new value added tax law has been introduced and based on advice from tax experts, provisions required under the new tax law were considerably lower. As of December 31, 2012 this provision amounted to USD 114,049 (CHF 104,400). However, due to the subsequently enacted practice by the VAT authorities of denying companies with a commercial income of less than 25% (of total turnover) the right to deduct taxes on imported services and taxable supplies, this provision has been increased to USD 1,740,499 (CHF 1,548,000) as per December 31, 2013.

The total provisions as of December 31, 2013 and 2012 are USD 4,581,741 (CHF 4,075,000) and USD 2,779,550 (CHF 2,544,400) respectively. Charges have been made against Medical research and related expenditure - Other operating expenses.

Pension schemes

The actuarial valuation as of March 31, 2009 of the FPS scheme in the United Kingdom revealed a shortfall of assets of USD 3,053,776 (CHF 3,157,025). The Institute entered into a recovery plan with the Trustee of the FPS scheme in December 2009, to finance the deficit plus interest over a six-year period. As part of the recovery plan USD 2,404,451 (CHF 2,381,917) has been paid through to May 31, 2013. As per December 31, 2013 and December 31, 2012 the Institute has provided for the estimated total costs of securing liabilities and is considering closing future accrual to the scheme.

Restructuring

The Institute is in the process of consolidating its research activities at fewer branches. As part of this transition, the scientific activities at the Melbourne-Parkville branch ceased during 2012. The scientific staff relocated to the Walter and Eliza Hall Institute, Melbourne with transition support from the Institute. The final administrative accounts were settled during the first half of 2013. The New York Branch closed at the end of 2012. Under current plans, the Melbourne-Austin branch will be closed by the end of 2014. Provision has been made in the financial statements for redundancy and severance pay due to Institute staff members as a result of these branch closures.

Other

Various claims have been made by former staff against the Institute. Some of the claims have resulted in court filings. Institute management disputes the claims made and shall contest them vigorously. For the purposes of preparing the financial statements, management has carried out an assessment of the claims made giving due consideration to the various outcomes. Provision has been made in the financial statements under Provisions – Other reflecting the results of this assessment.

9 Lease and leasing commitments

Description	USD 2013	USD 2012	CHF 2013	CHF 2012
Lease and leasing commitments not recorded in the balance sheet	15,198,168	18,107,129	13,517,252	16,575,273

10 External funding

The Institute receives external funding from third parties, including government agencies, in return for which the Institute may be obliged to comply with specific conditions. In certain cases, the right and / or obligation exists to confirm compliance by means of audit. The Board of Directors does not expect that these arrangements will result in any significant adverse financial consequences for the Institute.

11 Related party transactions

The Institute effectively controls LICR Fund, Inc. (the Fund), a non-profit membership corporation incorporated in Delaware, USA, which was established to receive, hold and invest funds on behalf of the Institute.

During 2013 and 2012, the Fund was a material source of funding and made transfers to the Institute of USD 65,861,741 (CHF 62,046,580) and USD 73,750,745 (CHF 69,807,033) respectively.

Effective January 1, 2006, the Institute entered into a new administrative service agreement with The Ludwig Group, Inc., (LGI), a wholly owned subsidiary of Universe Tankships, Inc., Delaware USA. This agreement replaces the former contract between the two parties, which was in effect as from January 1, 1996.

Fees paid by the Institute's New York office and New York Branch under the service agreement including occupancy related costs amounted to USD 2.1 Mio. (CHF 2.0 Mio.) in 2013 and USD 2.4 Mio. (CHF 2.3 Mio.) in 2012.

Payables in favour of LGI by the Institute's New York office and New York Branch as of December 31, 2013 and December 31, 2012 amounted to USD 0.6 Mio. (CHF 0.5 Mio.) and USD 0.6 Mio. (CHF 0.6 Mio.)

The long term receivable and the loan granted by the Institute to TC MTetrix Sàrl as of December 31, 2013 and December 31, 2012 amounted to USD 0.5 Mio. (CHF 0.4 Mio.) and USD 0.3 Mio (CHF 0.3 Mio). A value adjustment has been made for the long term receivable and the loan (see Financial fixed assets – Investments).

Effective October 22, 2012, the Institute entered into a Research Collaboration and License Agreement with iTeos Therapeutics SA. Collaboration and license fees invoiced to iTeos amounted to USD 0.1 Mio (CHF 0.1 Mio) for 2013.

12 System of internal control and the conduct of the annual assessment of risk

The Institute's Board of Directors and management are responsible for determining the system of internal controls operated by the Institute and for monitoring the adequacy and effectiveness of the control environment. The Institute's internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

The Institute has adopted a risk-based approach to internal control and accepts that it is neither possible nor cost effective to build a control environment that is risk free. Accordingly, the system of internal controls in place is designed to manage rather than to eliminate risk. The system of internal control is an ongoing process designed to identify the principal financial reporting risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

In 2013, the Institute's management conducted a risk assessment of the key processes already documented in the form of process flowcharts. Risks within those key processes were identified and evaluated as to their likelihood and impact based on predefined scales, incorporating quantitative and qualitative criteria. For each of the identified risks, the risk level was calculated as a multiple of the likelihood and impact. Top risks for each process were identified based on their respective risk level and classified further as financial reporting or operational risks. Key controls were defined and implemented to mitigate those top financial risks. Non-financial reporting risks are considered outside of the ICS through other LICR policies and procedures.

The Institute's management assessed the effectiveness of the LICR Internal Control System (the ICS) over financial reporting during the year under review and reported thereon to the Institute's Audit Committee.

The Audit Committee has the delegated responsibility to oversee the development and operation of the internal control system, to receive reports from the Risk and Compliance Officer and External Auditors, to review the internal control system documentation and to agree any actions necessary to implement recommended improvements. The Audit Committee met four times during the year and provided the Institute's Board of Directors at each of the Board's following meetings with their considered opinion on the status of internal controls.

The Board of Directors of the Institute assessed the effectiveness of the ICS for financial reporting throughout the year and believes that the LICR system of internal control for financial reporting was properly in effect as of December 31, 2013.

As part of the system of internal control, the internal audit function continued to operate and verify the adequacy and effectiveness of internal controls, carry out work to test the controls and provide reports to the Audit Committee. The operations of the Uppsala and Sao Paulo Branches were reviewed by internal audit during 2013 and reports were submitted to the Audit Committee.

Risk assessments shall be carried out on an annual basis by the Risk and Compliance Officer reporting to the Audit Committee. They shall be based on annual self-reassessment of risks and controls by the ICS process owners, information obtained by interviews of the Institute's management and key personnel and further evaluation and testing of controls when carrying out internal audits.

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Ludwig Institute for Cancer Research Ltd, Zurich

Proposal to carry forward excess of income over expenditure

The Statutory Financial Statements of the Ludwig Institute for Cancer Research Ltd as of December 31, 2013, together with the Report of the Statutory Auditors, dated May 16, 2014, are hereby submitted to the General Meeting of Shareholders.

The Balance Sheet of the Statutory Financial Statements shows total assets of CHF 39,197,651 and the Statement of Income and Expenditure shows an excess of expenditure over income for the fiscal year of CHF 1,561,853.

In accordance with Article 8 of the Statutes, the Board of Directors proposes that the Shareholders of the Institute authorise the carrying forward of the accumulated available excess of income over expenditure as of December 31, 2013 in the amount of CHF 14,310,811. In this regard, it is noted that according to Article 8 of the Statutes of the Institute, no distribution may be made to the Shareholders.

Ludwig Institute for Cancer Research Ltd, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders

Consolidated Financial Statements 2013

KPMG AG

Zurich, 16 May 2014

KPMG

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Ludwig Institute for Cancer Research Ltd, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Ludwig Institute for Cancer Research Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2013.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Michael Herzog	Marc Sterchi
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 16 May 2014

Enclosures
Consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)

Ludwig Institute for Cancer Research Ltd, Zurich

Consolidated Balance Sheet as at December 31, 2013

	USD		CHF	
	2013	**2012**	**2013**	**2012**
Assets				
Current assets				
Liquid funds (Notes 2 & 3)	20,399,325	22,210,236	18,143,221	20,331,603
Short-term cash deposits (Notes 2 & 3)	8,219,944	6,439,223	7,310,908	5,894,618
Investments (Notes 2 & 4)	1,304,921,487	1,190,935,801	1,160,597,171	1,090,182,632
Interest & dividends receivable	648,196	1,796,554	576,505	1,644,566
Research external funding receivables (Note 2)	2,757,154	3,888,612	2,452,238	3,559,672
Other receivables - Third parties (Note 5)	2,683,128	2,767,549	2,386,400	2,533,439
Prepayments	2,684,125	3,137,595	2,387,270	2,872,173
Total current assets	1,342,313,359	1,231,175,570	1,193,853,713	1,127,018,703
Fixed assets				
Financial fixed assets -				
Investments (Notes 1, 2 & 6)	19,780,920	18,440,305	17,593,161	16,880,311
Other (Notes 2 & 7)	980,890	1,517,679	872,430	1,389,318
Total fixed assets	20,761,810	19,957,984	18,465,591	18,269,629
Total assets	1,363,075,169	1,251,133,554	1,212,319,304	1,145,288,332
Liabilities and net worth				
Current liabilities				
Accounts payable - Third parties (Note 13)	9,532,115	10,569,437	8,477,912	9,675,384
Accruals (Note 2)	6,944,423	6,513,074	6,176,440	5,962,166
Provisions (Notes 2 & 14)	7,507,928	5,839,674	6,677,567	5,345,653
Deferred income (Notes 2 & 8)	5,195,543	6,887,424	4,621,028	6,304,919
Total current liabilities	29,180,009	29,809,609	25,952,947	27,288,122
Long term liabilities				
Payables	245,274	72,800	218,147	66,641
Accruals (Notes 2)	90,483	138,663	80,477	126,934
Provisions (Notes 2 & 14)	271,181	1,101,171	241,201	1,008,045
Total long term liabilities	606,938	1,312,634	539,825	1,201,620
Total liabilities	29,786,947	31,122,243	26,492,772	28,489,742
Net worth				
Share capital	33,722	33,722	50,000	50,000
Legal reserve	6,744	6,744	10,000	10,000
Donated capital	572,000,000	572,000,000	773,352,000	773,352,000
Cumulative excess of income over expenditure	761,227,528	647,945,571	978,199,311	872,475,369
Cumulative translation adjustment (Note 1)	20,228	25,274	(565,784,779)	(529,088,779)
Net worth	1,333,288,222	1,220,011,311	1,185,826,532	1,116,798,590
Total liabilities and Net worth	1,363,075,169	1,251,133,554	1,212,319,304	1,145,288,332

Ludwig Institute for Cancer Research Ltd, Zurich

Consolidated Statement of Income and Expenditure
for the year ended December 31, 2013

	USD		CHF	
	2013	2012	2013	2012
Investment income				
Interest	5,024,511	8,925,033	4,718,515	8,461,757
Dividends	2,612,477	4,566,746	2,453,377	4,329,732
Other income	363,821	12,535	341,664	11,884
Total investment income	8,000,809	13,504,314	7,513,556	12,803,373
Other gains from investment activities				
Net realised gains on investment transactions (Notes 2 & 4)	83,805,926	45,970,678	78,702,145	43,584,800
Net unrealised appreciation of investments (Notes 2 & 4)	94,103,156	99,066,598	88,020,203	93,925,086
Unrealised foreign exchange gains (Note 2)	815,029	301,761	458,747	(69,180)
Share of profit and capital contribution in associated entities (Note 6)	1,249,432	324,419	1,173,339	307,928
Total other gains from investment activities	179,973,543	145,663,456	168,354,434	137,748,634
Expenditure related to investment activities				
Asset management, custodian & other fees	6,774,708	6,306,213	6,362,129	5,978,920
Other administration expenses	969,438	1,116,997	910,399	1,059,025
Total expenditure related to investment activities	7,744,146	7,423,210	7,272,528	7,037,945
Net gain from investment activities	180,230,206	151,744,560	168,595,462	143,514,062
Medical research related income				
External funding (Notes 2 & 8)	31,246,595	37,862,289	29,248,028	35,796,552
Licenses and patents	4,727,046	4,910,435	4,438,641	4,654,231
Contributions	3,000,000	3,000,000	2,817,425	2,844,150
Other (Note 9)	300,319	177,449	282,029	168,238
Total medical research related income	39,273,960	45,950,173	36,786,123	43,463,171
Medical research related expenditure				
Salaries & social benefits (Notes 13 & 15)	50,031,280	57,971,073	46,982,416	54,953,998
Laboratory expenditure	12,122,229	13,918,701	11,383,462	13,193,866
Equipment & other assets and Leasehold improvements (Notes 2 & 9)	3,048,237	4,731,844	2,862,685	4,485,724
Collaborative research programs	24,324,759	17,918,393	22,842,674	16,987,367
Other	18,387,585	19,457,327	17,270,297	18,445,848
Total medical research related expenditure	107,914,090	113,997,338	101,341,534	108,066,803
Excess of income over expenditure				
Excess of income over expenditure for the year	111,590,076	83,697,395	104,040,051	78,910,430
Excess of income over expenditure at the beginning of the year	647,945,571	561,039,498	872,475,369	790,428,718
Net change in restricted funds (Note 8)	1,691,881	3,208,678	1,683,891	3,136,221
Excess of income over expenditure at the end of the year	761,227,528	647,945,571	978,199,311	872,475,369

Consolidated Statement of Cash Flows
for the year ended December 31, 2013

	USD		CHF	
	2013	2012	2013	2012
Operating activities				
Medical research related income	39,273,960	45,950,173	36,786,123	43,463,171
Medical research related expenditure	(107,914,090)	(113,997,338)	(101,341,534)	(108,066,803)
Excess of operating expenditure over income	(68,640,130)	(68,047,165)	(64,555,411)	(64,603,632)
Net change in receivables and payables relating to operations	1,966,676	(5,726,078)	1,831,462	(5,437,698)
Net cash used by operating activities	(66,673,454)	(73,773,243)	(62,723,949)	(70,041,330)
Investment activities				
Net gain from investment activities	180,230,206	151,744,560	168,595,462	143,514,062
Net realised gain on investment transactions (Notes 2 & 4)	(83,805,926)	(45,970,678)	(78,702,145)	(43,584,800)
Net unrealised (appreciation) of investments (Notes 2 & 4)	(94,103,156)	(99,066,598)	(88,020,203)	(93,925,086)
Net unrealised (gain) on forward foreign currency contracts (Note 10)	(719,717)	(520,009)	(675,886)	(493,021)
Share of profit and capital contribution in associated entities (Note 6)	(1,249,432)	(324,419)	(1,173,339)	(307,928)
Net change in receivables and payables relating to investment activities	1,654,365	348,277	1,553,614	330,201
Purchase of securities	(623,069,197)	(631,789,917)	(585,124,283)	(599,000,020)
Proceeds from sale of securities	687,743,974	697,639,751	645,860,366	661,432,248
Effects of exchange movements	(37,853)	187,250	(361,729)	86,034
Net cash generated by investment activities	66,643,264	72,248,217	61,951,857	68,051,690
Net (decrease) in liquid funds and cash deposits	(30,190)	(1,525,026)	(772,092)	(1,989,640)
Liquid funds and cash deposits at the beginning of the year	28,649,459	30,174,485	26,226,221	28,215,861
Liquid funds and cash deposits at the end of the year	28,619,269	28,649,459	25,454,129	26,226,221

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Consolidated Statement of Capital Changes for the year ended December 31, 2013

Net worth

The share capital consists of 50 fully paid shares of nominal value CHF 1,000 each. The shareholders do not have any interest in the assets or income of the Ludwig Institute for Cancer Research Ltd (the Institute). Their sole power is to vote the shares in accordance with the exclusively charitable and scientific purposes of the Institute.

USD	Share Capital	Legal reserve	Donated capital	Cumulative excess of income	Cumulative translation adjustment	Total net worth
Balance at December 31, 2011	33,722	6,744	572,000,000	561,039,498	23,893	1,133,103,857
Excess of income over expenditure	0	0	0	83,697,395	1,381	83,698,776
Net change in restricted funds	0	0	0	3,208,678	0	3,208,678
Balance at December 31, 2012	33,722	6,744	572,000,000	647,945,571	25,274	1,220,011,311
Excess of income over expenditure	0	0	0	111,590,076	(5,046)	111,585,030
Net change restricted funds	0	0	0	1,691,881	0	1,691,881
Balance at December 31, 2013	33,722	6,744	572,000,000	761,227,528	20,228	1,333,288,222

CHF	Share Capital	Legal reserve	Donated capital	Cumulative excess of income	Cumulative translation adjustment	Total net worth
Balance at December 31, 2011	50,000	10,000	773,352,000	790,428,718	(504,275,935)	1,059,564,783
Excess of income over expenditure	0	0	0	78,910,430	(24,812,844)	54,097,586
Net increase in restricted funds	0	0	0	3,136,221	0	3,136,221
Balance at December 31, 2012	50,000	10,000	773,352,000	872,475,369	(529,088,779)	1,116,798,590
Excess of income over expenditure	0	0	0	104,040,051	(36,696,000)	67,344,051
Net change in restricted funds	0	0	0	1,683,891	0	1,683,891
Balance at December 31, 2013	50,000	10,000	773,352,000	978,199,311	(565,784,779)	1,185,826,532

Donated capital

Universe Tankships, Inc. made the following donations to LICR Fund, Inc.: -

Initial donation	1990	USD	500,000,000	CHF	673,500,000
Second donation	1991	USD	24,000,000	CHF	36,588,000
Third donation	1992	USD	48,000,000	CHF	63,264,000
Total		USD	572,000,000	CHF	773,352,000

Cumulative excess of income over expenditure

The Statutes of the Institute stipulate that the cumulative excess of income over expenditure is not to be distributed to shareholders and accordingly the available cumulative excess of income over expenditure is carried forward.

Notes to the Consolidated Financial Statements as of December 31, 2013

1. Accounting principles and scope of consolidation

Basis of presentation

The accompanying consolidated financial statements of the Institute are presented in accordance with generally accepted accounting principles in Switzerland (Financial Reporting Standards - Swiss GAAP FER). The Consolidated Statement of Cash Flows reflects the combination of the two principal activities – medical research carried out by the Institute and the investment activities of LICR Fund, Inc. (the Fund). In accordance with Swiss GAAP FER 21, paragraphs 28 and 56, the Institute adapted the terms and presentation of the Consolidated Statement of Cash Flows to reflect the purpose and activities of the organisation.

Scope of consolidation

The consolidated financial statements include the financial results of the Ludwig Institute for Cancer Research Ltd, a not for profit organisation incorporated in Switzerland, LICR Fund, Inc., a not for profit membership corporation incorporated in Delaware, U.S.A, which was established to receive, hold and invest funds on behalf of the Institute and which is effectively controlled by the Institute, and TC Metrix Sàrl (TC Metrix), Epalinges, Switzerland a commercial company set up with the assistance of the Institute during 2012 in which the Institute holds a 80% interest. The consolidation is based on the audited financial statements of the Institute, the Fund and TC Metrix. All inter-company transactions and balances have been eliminated. No minority interests exist for the Fund. Due to the company reporting a net loss in 2013, no minority interests are shown for TC Metrix.

Universe Tankships, Inc., Monrovia, Liberia (UTI), a wholly owned subsidiary of the Institute, which engages in substantially different activities than the Institute, has been accounted for on the net worth basis.

iTeos Therapeutics SA (iTeos), Ottignies-Louvain-La-Neuve, Belgium, in which the Institute acquired a 49.75% interest in 2012, has been accounted for on the net worth basis.

Ludwig Technologies, Inc., Delaware, a wholly owned subsidiary of the Institute, has been accounted for at acquisition cost.

Nature of operations

The Institute carries out its scientific and clinical activities at various branches and a centre in conjunction with hospitals in university medical centres. During 2013 the Institute's research branches and centre were situated in Brussels, Lausanne, Melbourne, Oxford, San Diego, Sao Paulo, Stockholm and Uppsala. In addition, administrative offices were maintained in New York and Zurich. The Institute has a broadly based research program that addresses the challenge of cancer using the disciplines of cell biology, genetics, immunology, molecular biology and virology.

Foreign currency translation

Swiss franc financial statements

The consolidated accounts presented in Swiss Francs (CHF) include the Institute's financial statements denominated in CHF, the Fund's financial statements denominated in US Dollars (USD) and the financial statements of TC Metrix denominated in CHF. Translation of the Fund's Balance Sheet into CHF is achieved by using the London closing rates of exchange at year-end with the exception of donated capital and accumulated excess of income over expenditure, which are translated at historical rates. The Fund's income and expenditure are translated at the yearly average rates provided by the Swiss Federal Tax Administration. The resulting translation difference is shown as a separate component of net worth. The currency translation adjustment, which arises on the translation of the Fund's USD based financial statements into CHF is being accumulated with effect from January 1, 1994 and has not been calculated retrospectively.

US Dollar financial statements

The consolidated accounts presented in USD include the Institute's financial statements denominated in USD and the Fund's financial statements denominated in USD. The Balance Sheet of TC Metrix is translated into USD using the London closing rates of exchange at year-end. The Statement of Income over Expenditure is translated using the yearly average rates provided by the Swiss Federal Tax Administration. As the Institute has historically maintained USD accounts in addition to its CHF accounts, there is no need to perform a translation for the purposes of preparing a consolidation in USD. Accordingly, there is no translation effect in the consolidated USD accounts apart from Share capital and Legal reserve. Share capital and Legal reserve are translated into USD at rates ruling on January 1, 1994, being the initial year in which consolidated financial statements were prepared. The resulting translation difference is shown as a separate component of net worth.

Foreign exchange differences, which arise from foreign exchange in preparing the Institute's USD accounts, are included on a yearly basis in the excess of income over expenditure for the year.

2. Accounting policies and valuation standards

Liquid funds and Short-term cash deposits

Cash on hand and at banks and funds on call available within 48 hours are classified as Liquid funds. Cash deposits fixed for periods of longer than 48 hours are classified as Short-term cash deposits.

Investments and related income

Investments are valued at fair value for the year, as quoted on major securities exchanges. Securities that are not traded on major securities exchanges are valued based on quotations received from leading brokers. Forward foreign currency contracts are valued based on the average of closing bid and ask quotations from banks and brokers. Investments in limited partnerships are valued based on the Fund's underlying holdings in these partnerships, which represent market values as determined by the general partners of the partnership. Unrealised appreciation and depreciation on investments as of the year-end are included in the excess of income over expenditure for the year.

Securities transactions are recorded on the trade date. Realised gains and losses on security transactions are calculated on the average cost basis.

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and could materially affect the amounts reported in the balance sheets.

Foreign exchange transactions

Assets and liabilities denominated in foreign currencies are translated into the reporting currencies at the London closing rates of exchange at year-end. Income and expenditure denominated in foreign currencies are translated into the reporting currencies on the following basis: -

i) Dividend income and contributions are translated at the average monthly rates as published by the Swiss Federal Tax Administration of the month in which the dividends and contributions have been received.

ii) Research expenditure and research external funding income are translated at the yearly average of the monthly rates as published by the Swiss Federal Tax Administration.

iii) Purchases and sales of investment securities are translated at the rates of exchange prevailing on the respective dates of such transactions.

iv) All other income and expenditure are translated at the yearly average of the monthly rates as published by the Swiss Federal Tax Administration.

Net realised and unrealised foreign exchange differences include gains and losses on foreign currency positions and changes in the value of other assets and liabilities arising as a result of changes in exchange rates.

Research external funding

External funding received from any outside source, whether of a cash or a non-cash nature, is recorded in the books of the Institute upon receipt. External funding received (in terms of restricted funds) is taken to income when the corresponding expenditure is incurred. Any unspent restricted funds are deferred to future accounting periods. Unrestricted funds received are taken to income in the year of receipt. External funding pledged, but not received where expenditure has been incurred, is taken to account as income and is accounted for as Research external funding receivables.

Joint ventures

The Institute has entered into joint ventures to carry out research projects on a joint basis with affiliated hospitals and research institutions. Income received and expenditure incurred under joint ventures, if material, is accounted for by the method of proportional consolidation.

Tangible and intangible assets

Expenditure on equipment & other assets and leasehold improvements is expensed in the year it is incurred in accordance with accepted practice for cancer research organisations. The resale value of research equipment is minimal and no significant income is generated therefrom.

The value of intangible assets is not recorded in the balance sheet. All research expenditure, including the cost of patenting and licensing intellectual property is expensed in the year it is incurred.

Taxes

The Institute and the Fund are tax-exempt organisations and accordingly are not subject to income and capital taxes. Withholding taxes on foreign dividends and interest have been provided for in accordance with the applicable countries' tax rates. TC Metrix is subject to Swiss income and capital taxes.

3. Pledged assets

The Institute has pledged all its assets with a financial institution as collateral for a letter of credit of USD 0.8 Mio. (CHF 0.7 Mio.). The letter of credit has been issued to the lessor of the New York office premises and as per December 31, 2013 and 2012 these assets amounted to USD 10.5 Mio. (CHF 9.4 Mio.) and USD 14.0 Mio. (CHF 12.8 Mio.) respectively.

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4. Current assets - Investments

Investments, at fair value, held at December 31, 2013 and 2012 were as follows: -

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Invested cash and cash equivalent				
- USD	21,144,145	23,320,988	18,805,603	21,348,032
- Non-USD currencies	917,840	1,322,843	816,327	1,210,930
Equity investments	618,768,606	547,408,538	550,332,799	501,097,778
Fixed income investments				
- Government	23,679,164	102,887,309	21,060,248	94,183,043
- Other	146,917,062	81,222,593	130,668,035	74,351,162
Alternative investments (limited partnerships)	481,842,769	430,356,751	428,550,959	393,948,570
Due from brokers	10,872,694	4,357,290	9,670,173	3,988,662
Net unrealised gain on foreign currency contracts	779,207	59,489	693,027	54,455
Investments, at fair value	1,304,921,487	1,190,935,801	1,160,597,171	1,090,182,632

The Fund obtained a revolving line of credit USD 25 Mio. (CHF 22.2 Mio.) through a financial institution on May 20, 2008. The applicable interest rate of any amount drawn upon is LIBOR plus 0.75%. There is no expiration date and the agreement may be terminated by either party with written notice. There were no amounts outstanding under this agreement during the year or at December 31, 2013 and 2012. The line of credit is collateralised by qualifying assets with a fair value of approximately USD 90 Mio. at December 31, 2013.

5. Other Receivables - Third parties

Other Receivables - Third parties of USD 2,683,128 (CHF 2,386,400) as of December 31, 2013 and USD 2,767,549 (CHF 2,533,439) as of December 31, 2012 included doubtful debts, which have been fully provided for, in the amount of USD 550,388 (CHF 489,514) and USD 549,217 (CHF 502,754) respectively.

6. Financial fixed assets - Investments

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Universe Tankships, Inc.				
Share capital	5,103,000	5,103,000	4,538,608	4,756,506
Percentage owned	100%	100%	100%	100%
Net investment at January 1	16,433,000	16,098,000	15,042,768	15,053,240
Dividends paid to the Institute	0	0	0	0
Net income for the year	1,239,000	335,000	1,163,545	317,614
Translation adjustment	0	0	(488,836)	(328,086)
Net investment at December 31	17,672,000	16,433,000	15,717,477	15,042,768
iTeos Therapeutics SA				
Share capital	2,854,525	2,731,064	2,538,829	2,500,092
Share premium	1,384,889	1,324,991	1,231,727	1,212,934
Capital contribution	1,251,980	254,751	1,113,517	233,206
Operational loss	(1,252,359)	(276,020)	(1,113,854)	(252,676)
percentage owned	49.75%	49.75%	49.75%	49.75%
Net investment at January 1	2,007,305	N/A	1,837,543	N/A
Share of capital and premium 1st call	0	988,800	0	905,175
Share of capital and premium 2nd call	0	988,800	0	905,175
Share of capital contribution	470,536	126,739	441,781	116,020
Share of net operational loss for the year	(460,104)	(137,320)	(431,987)	(125,706)
Translation adjustment	91,183	40,286	28,347	36,879
Net investment at December 31	2,108,920	2,007,305	1,875,684	1,837,543
Total investments at December 31	19,780,920	18,440,305	17,593,161	16,880,311

Universe Tankships, Inc., Monrovia, Liberia, has been accounted for using the net worth method, as its business activities differ substantially from those of the Institute.

iTeos Therapeutics SA, Ottignies-Louvain-La-Neuve, Belgium, has been accounted for using the net worth method. The Institute holds 49.75% of the capital of iTeos. The company was launched in 2012 by the Institute together with the de Duve Institute at the Catholic University of Louvain and aims to translate Institute knowledge into novel immunomodulatory therapies for cancer. The second call on the shares shall be made in

2014. This is treated as deferred consideration and has been accrued under Current Liabilities – Accruals. The 1st and 2nd calls of share of capital and premium are included in Net investment at December 31, 2013.

7. Financial fixed assets - Other

Description	USD 2013	USD 2012	CHF 2013	CHF 2012
Ark Therapeutics Group plc				
Net investment	3,023	29,669	2,688	27,159
Percentage owned	0.3%	0.3%	0.3%	0.3%
Circadian Technologies Ltd.				
Net investment	558,604	1,134,473	496,849	1,038,532
Percentage owned	6.4%	6.7%	6.4%	6.7%
Life Sciences Pharmaceuticals, Inc.				
Net investment	1,457	1,457	1,296	1,334
Percentage owned	13.7%	13.7%	13.7%	13.7%
Recepta Biopharma S.A.				
Net investment	327	327	291	300
Percentage owned	29.6%	35.3%	29.6%	35.3%
CT Atlantic AG				
Net investment	11,244	10,924	10,000	10,000
Percentage owned	3.8%	3.8%	3.8%	3.8%
Serametrix Corporation				
Net investment	100	100	89	91
Percentage owned	5.0%	5.0%	5.0%	5.0%
Ludwig Technologies, Inc.				
Net investment	100	100	89	91
Percentage owned	100.0%	100.0%	100.0%	100.0%
Cancer Vaccine Acceleration Company, LLC				
Net investment	100	100	89	91
Percentage owned	50.0%	50.0%	50.0%	50.0%
Activiomics Ltd				
Net Investment	1	1	1	1
Percentage owned	2.0%	5.0%	2.0%	5.0%
Loans to staff	160,660	267,728	142,891	245,078
US 457b Pension plan	245,274	72,800	218,147	66,641
Total Financial fixed assets - Other	980,890	1,517,679	872,430	1,389,318

The Institute is committed to disseminating its know-how to the global research community. The investments in the start-up organisations shown above have been acquired or founded as part of licensing arrangements, transferring Institute research knowledge to these companies. Participation in these entities does not form part of the Institute's long term strategy and the respective investments, if not quoted on a stock exchange, are accounted for at acquisition cost.

With respect to investments with a percentage owned of more than 20%, the following information is provided:

i) The nominal share capital of Recepta Biopharma S.A., Sao Paulo, Brazil, is BRL 1,000. It conducts medical research, develops, produces and commercialises humanized antibodies for the diagnosis of human cancer.

ii) In order to administer intellectual property assets in areas other than cancer, in 2010 the Institute founded Ludwig Technologies, Inc., Delaware, USA. The nominal share capital is USD 100.

iii) In 2010 the Institute entered into a joint venture with the Cancer Research Institute and formed the company Cancer Vaccine Acceleration Company, LLC, Delaware, USA. The purpose of the company is to identify novel opportunities for the development of cancer vaccine and immunotherapy and to obtain, hold and develop intellectual property. The nominal share capital is USD 200.

The Institute has granted various housing loans to San Diego Branch staff primarily upon relocation to working at the Branch. The outstanding long term receivables as of December 31, 2013 amounted to USD 160,660 (CHF 142,891) and as of December 31, 2012 amounted to USD 267,728 (CHF 245,078). Short-term receivables for these loans are recorded under Other receivables – Third parties and amounted to USD 42,068 (CHF 37,416) in 2013 and USD 42,068 (CHF 38,509) in 2012.

8. Change in deferred income (restricted funds)

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Deferred Income at January 1	6,887,424	10,096,102	6,304,919	9,441,140
Usage of deferred income	(6,021,514)	(8,673,393)	(5,512,252)	(8,110,721)
New deferred income	4,380,382	5,445,535	3,896,008	4,984,975
Exchange rate adjustments	(50,749)	19,180	(67,647)	(10,475)
Deferred income at December 31	5,195,543	6,887,424	4,621,028	6,304,919
Net change of deferred income	(1,691,881)	(3,208,678)	(1,683,891)	(3,136,221)

In accordance with the provisions of Swiss GAAP FER 21 as from January 1, 2003, all changes in deferred income (restricted funds) are shown gross in the captions Medical research related income and Excess of income over expenditure in the Consolidated Statement of Income and Expenditure (see note 2, Accounting policies and valuation standards, Research external funding).

9. Tangible fixed assets

During the years ended December 31, 2013 and December 31, 2012 the purchase of equipment & other assets and expenditure on leasehold improvements, amounting to USD 3,048,237 (CHF 2,862,685) and USD 4,731,844 (CHF 4,485,724) respectively, was expensed in the year of acquisition. Receipts arising from the disposal of equipment & other assets amounting to USD 3,347 (CHF 3,143) and USD 25,317 (CHF 23,148) respectively were credited in full to Medical research related income - Other.

10. Forward currency contracts

The Fund and the Institute enter into forward contracts in order to hedge their exposure to changes in foreign currency rates on their assets and liabilities denoted in foreign currencies. In 2013 and 2012 Unrealised gains of USD 1,079,138 (CHF 959,786) and USD 471,222 (CHF 431,355) and Unrealised losses of USD 299,931 (CHF 266,759) and USD 411,733 (CHF 376,900) respectively, arising from contracts open at year end, are included in Current assets - Investments and represent the changes in fair value of the investments from the time of the Fund's and the Institute's investment.

The notional values of the forward foreign currency contracts held by the Fund and the Institute translated at the relevant year-end exchange rates were as follows: -

	USD in thousands		CHF in thousands	
Description	**2013**	**2012**	**2013**	**2012**
Forward currency purchases	26,296	69,110	23,388	63,263
Forward currency sales	27,075	69,169	24,081	63,317

11. Lease and leasing commitments

	USD		CHF	
Year	**2013**	**2012**	**2013**	**2012**
2013		5,372,243		4,917,764
2014	5,096,560	3,570,993	4,532,883	3,268,886
2015	3,902,186	3,377,958	3,470,609	3,092,187
2016	1,551,238	1,240,978	1,379,671	1,135,991
2017	1,328,976	1,225,749	1,181,989	1,122,050
2018	1,138,010	1,138,010	1,012,146	1,041,734
2019-2020	2,181,198	2,181,198	1,939,954	1,996,661
Lease and leasing commitments not recorded in the balance sheet	15,198,168	18,107,129	13,517,252	16,575,273

All operational lease and leasing commitments with a notice period of three months or more are shown.

12. Fire insurance values

Description	USD 2013	USD 2012	CHF 2013	CHF 2012
Equipment and other assets	64,464,321	63,612,530	57,335,169	58,231,674
Leasehold improvements	5,524,745	8,375,473	4,913,781	7,667,061
Fire insurance values of tangible fixed assets	69,989,066	71,988,003	62,248,950	65,898,735

13. Liabilities to pension funds

Description	USD 2013	USD 2012	CHF 2013	CHF 2012
Current liabilities				
Accounts payable - Third parties	49,061	135,017	43,635	123,595

The above table illustrates the amount, within the Accounts payable - Third parties balance sheet item, that is payable to pension funds. Institute wide, the annual cost of the employer's contributions in 2013 and 2012 for all plans amounted to USD 3,907,966 (CHF 3,669,811) and USD 4,041,885 (CHF 3,831,546) respectively.

Pension schemes have been established for all Institute branches and offices.

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The following table shows all the pension schemes for which information is required under the application of the revision of FER 16. All amounts are in thousands: -

Name/ (Country)	Net worth 31.12.13**	Share of commit-ment 31.12.13*	Share of commit-ment 31.12.12*	Change in commit-ment*	Contri-butions 2013 incl. change in commitment*	Contributions 2013	Contributions 2012
	USD	USD	USD	USD	USD	USD	USD
Federated Pension Scheme (UK)	15,655	(1,466)	(1,463)	3	22	19	17
Vita Collective Insurance (CH)	N/A	0	0	0	70	70	91
AXA Foundation for Occupational Benefits (CH)	N/A	0	0	0	0	300	310
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Federated Pension Scheme (UK)	13,924	(1,304)	(1,339)	(35)	(17)	18	16
Vita Collective Insurance (CH)	N/A	0	0	0	65	65	86
AXA Foundation for Occupational Benefits (CH)	N/A	0	0	0	0	282	293

* Economic commitment

** Net worth at disposal of trustee, does not take account of pension obligations due after the end of the scheme year

The actuarial valuation as of March 31, 2009 of the Federated Pension Scheme for Ludwig Institute for Cancer Research (the FPS scheme) in the United Kingdom revealed a shortfall of assets of USD 3,053,776 (CHF 3,157,025). The Institute entered into a recovery plan with the Trustee of the FPS scheme in December 2009, to finance the deficit plus interest over a six year period. As part of the recovery plan USD 2,404,451 (CHF 2,381,917) has been paid through to May 31, 2013. As per December 31, 2013 and December 2012 the Institute has provided for the estimated total costs of securing liabilities and is considering closing future accrual to the scheme.

In Switzerland, the Institute operates a scheme with the VITA Collective Insurance Foundation (VITA) for the staff at the Lausanne branch. The invested capital amounted to USD 2.5 Mio. (CHF 2.2 Mio.) as of December 31, 2013 and USD 2.3 Mio. (CHF 2.1 Mio.) as of December 31, 2012. VITA has communicated a funding ratio of 107.5% as of December 2013. In order to finance a funding shortfall VITA may increase future employer and employee contributions.

In addition, the Institute operates in Switzerland a scheme with the AXA Foundation for Occupational Benefits (AXA) for staff employed at the Zurich office. The invested capital as of December 31, 2013 amounted to USD 7.7 Mio. (CHF 6.9 Mio.) and USD 7.3 Mio. (CHF 6.7 Mio.) as of December 31, 2012. The capital invested is guaranteed 100% by AXA.

Listed below are all other pension schemes in respect of the Institute's locations outside Switzerland for which the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (Occupational Pensions Act) does not apply, but various disclosures are provided.

In Australia, during 2013 and 2012 the Melbourne-Parkville and Melbourne-Austin branches were registered employers with the Defined Benefit Division of UniSuper (UniSuper DBD), a pension scheme for Australian universities and associated organisations. Clause 34 of the UniSuper Trust Deed allows participating employers to treat the UniSuper defined benefit plan as a defined contribution fund. UniSuper DBD publishes quarterly estimates of the Vested Benefit Index (VBI – the ratio of net market value of assets to vested benefits) and Accrued Benefit Index (ABI – the ratio of net market assets to accrued benefits). These are key actuarial measures used to monitor the financial position of UniSuper DBD. As per June 30, 2013, UniSuper DBD estimated that the VBI was 94.7% and the ABI was 106%. As at June 30, 2013, the assets of the Unisuper DBD in aggregate were estimated to be AUD 691.0 Mio (USD 618.2 Mio, CHF 549.8 Mio) in deficiency of vested benefits and the assets of the Unisuper DBD were estimated to be AUD 861.0 Mio (USD 770.3 Mio, CHF 685.1 Mio) above accrued benefits.

Clause 34 of the Trust Deed provides a mechanism for reducing benefits if after a period of four years, during which two further actuarial investigations are completed, the Trustee still considers that UniSuper DBD is or may be insufficiently funded to provide the current level of benefits. Following the actuarial valuation as of December 31, 2008, the clause 34 process was initiated and has since been renewed in June 30, 2011, June 30, 2012 and June 30, 2013. Following the end of the monitoring period commenced in relation to the December 31, 2008 actuarial investigation, the Unisuper DBD made a decision not to reduce accrued benefits but to reduce the rate at which benefits accrue in respect of the DBD membership after January 1, 2015.

In Belgium, a scheme was in place during 2013 and 2012 providing target benefits upon retirement to staff at the Brussels Branch. The plan is administered by and funds are invested with the AG Insurance Company, Brussels. The insurance company recalculates the contributions to be paid to finance the target pension benefits on an annual basis.

In Brazil, during 2013 and 2012 the Institute operated two defined contribution schemes at its Sao Paulo Branch. The Life Free Benefits Generator scheme and the Free Benefits Generator Plan are administered by and funds are invested with the Itau / Unibanco Life and Provident Ltd.

In Sweden, the Institute operates the Optional ITP Plan 1 (Plan 1), a defined contribution scheme, the Optional ITP Plan 2 (Plan 2), a defined benefit scheme, and the SPP Alternative ITP Plan, a defined contribution scheme with the SPP Life insurance company. The Plans cover different types of income classes. For the defined benefit schemes the insurance company recalculates the contributions to be paid to finance the target pension benefits on an annual basis.

In the United Kingdom, the Institute, in addition to operating the Federated Pension Scheme, is also a registered employer with the Universities Superannuation Scheme (the USS scheme) which sets the level of contributions based on the advice of the scheme's actuary. In view of the size of the scheme and the Institute's limited participation in the management of the scheme, this scheme is treated as a defined contribution scheme. The last actuarial valuation took place on March 31, 2011 and this showed under the Technical Provisions basis, as required by the UK Pensions Regulator, a funding level of 92%. It is envisaged that the employer contribution level of 16% shall remain unchanged through to 2017. Following legislation introduced in the United Kingdom in September 2005, special provisions apply in the event of either an employer winding up a pension scheme or causing a cessation event to occur as a registered employer of a multi-employer pension scheme. In these cases, the employer is required to make additional funding available to buyout all liabilities with an insurance company (defined either as "buyout-debt" or "Section 75 debt") or, for multi-employer schemes with continuing indirect participation, to enter into an approved withdrawal arrangement (AWA). Subject to agreement with the trustee of the pension scheme and the pension regulator, under an AWA, a guarantee is to be provided by the employer to the trustee of the pension scheme and the additional funding requirement is deferred until the trustee requires it to be paid or the scheme commences wind-up.

Liability incurred by buying out debt with insurance companies is invariably significantly greater than that calculated using traditional actuarial valuations.

The Institute's Board of Directors has reviewed the position taking into account the various on-going employment situations in the United Kingdom. As the USS scheme continues to have active members, and it is intended to retain the scheme for active members, the Board has concluded that there is no need to make provision for buyout-debt as of December 2013 and 2012.

In the event that a buyout-debt liability would be incurred for the USS scheme in the United Kingdom, the cost thereof, based on information provided by the respective actuary using the last triennial valuation and current industry experience, is estimated at USD 8.0 Mio. (CHF 7.1 Mio.) as of December 31, 2013 and USD 7.5 Mio. (CHF 6.8 Mio.) as of December 31, 2012.

In the United States of America, the Institute operated The Ludwig Institute for Cancer Research Retirement Savings Plan (the LICRRS Plan). The LICRRS Plan is organised under Section 403(b) of the Internal Revenue Code and is a defined contribution scheme.

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14. Provisions

USD	Tax related	Pension schemes	Restruc-turing	Other	Total
Total provisions as per 31.12.11	2,590,739	1,849,693	4,169,956	1,327,824	9,938,212
Additions	128,467	379,200	1,384,368	141,562	2,033,597
Utilisations	0	(582,383)	(2,574,929)	(162,000)	(3,319,312)
Dissolutions	0	(266,561)	(1,641,576)	0	(1,908,137)
Currency adjustments	60,344	83,001	53,140	0	196,485
Total provisions as per 31.12.12	2,779,550	1,462,950	1,390,959	1,307,386	6,940,845
thereof current					5,839,674
Additions	1,741,029	541,478	275,293	395,499	2,953,299
Utilisations	0	(532,104)	(289,788)	(523,000)	(1,344,892)
Dissolutions	(111,170)	(32,808)	(314,624)	(384,386)	(842,988)
Currency adjustments	172,332	26,310	(101,893)	(23,904)	72,845
Total provisions as per 31.12.13	4,581,741	1,465,826	959,947	771,595	7,779,109
thereof current					7,507,928

CHF	Tax related	Pension schemes	Restruc-turing	Other	Total
Total provisions as per 31.12.11	2,422,600	1,729,601	3,899,471	1,241,648	9,293,320
Additions	121,800	359,448	1,312,362	134,147	1,927,757
Utilisations	0	(543,326)	(2,399,880)	(150,088)	(3,093,294)
Dissolutions	0	(244,013)	(1,502,749)	0	(1,746,762)
Currency adjustments	0	37,490	(35,887)	(28,926)	(27,323)
Total provisions as per 31.12.12	2,544,400	1,339,200	1,273,317	1,196,781	6,353,698
thereof current					5,345,653
Additions	1,635,000	508,378	258,528	371,460	2,773,366
Utilisations	0	(499,577)	(272,140)	(491,149)	(1,262,866)
Dissolutions	(104,400)	(30,803)	(295,520)	(360,977)	(791,700)
Currency adjustments	0	(13,504)	(110,379)	(29,847)	(153,730)
Total provisions as per 31.12.13	4,075,000	1,303,694	853,806	686,268	6,918,768
thereof current					6,677,567

Tax related

The Institute is registered for value added tax in Switzerland.

In September 2004, the Swiss Federal Tax Administration carried out an audit at the Institute's Zurich office. In an informal report, the Swiss Federal Tax Administration questioned the method used by the Institute in calculating the reduction of the input tax for the years 2000 to 2004.

The report set out three different methods to calculate the input tax reduction with claims ranging for 2003 - the year audited in detail - between USD 782,637 (CHF 889,937) and USD 817,696 (CHF 929,802).

In May 2005 the Swiss Federal Tax Administration revised their initial position and invoiced the Institute for a total amount of USD 1,319,983 (CHF 1,739,606) with amounts ranging between USD 229,051 (CHF 301,866) and USD 284,091 (CHF 374,404) for the years 2000 to 2004.

The Institute's management continues to be not in agreement with these calculations and its tax advisors wrote to the Swiss Federal Tax Administration in June 2005 setting out again the Institute's position. The Swiss Federal Tax Administration has not, as yet, responded to this letter. In order to prevent any limitation of claim by the Institute, the professional tax advisors wrote to the Swiss Federal Tax Administration again in February 2012.
In December 2012 the Swiss Federal Tax Administration informed the Institute that this matter was still pending and notified the Institute of the interruption of the limitation of claim for the years 2007 to 2009.

In the opinion of management, based on professional advice received, the Institute expects a further substantial reduction in the claim by the Swiss Federal Tax Administration. However, taking account of the developments that took place in 2005, for the sake of prudence, a provision of USD 914,333 (CHF 1,205,000) was included in the 2005 financial statements. As of December 31, 2013 and December 31, 2012, this provision amounted to USD 2,841,241 (CHF 2,527,000) and USD 2,665,501 (CHF 2,440,000) respectively.

As from January 1, 2010 a new value added tax law has been introduced and based on advice from tax experts, provisions required under the new tax law were considerably lower. As of December 31, 2012 this provision amounted to USD 114,049 (CHF 104,400). However, due to the subsequently enacted practice by the VAT authorities of denying companies with a commercial income of less than 25% (of total turnover) the right to deduct taxes on imported services and taxable supplies, this provision has been increased to USD 1,740,499 (CHF 1,548,000) as per December 31, 2013.

The total provisions as of December 31, 2013 and 2012 are USD 4,581,741 (CHF 4,075,000) and USD 2,779,550 (CHF 2,544,400) respectively. Charges have been made against Medical research related expenditure - Other.

Pension schemes

The actuarial valuation as of March 31, 2009 of the FPS in the United Kingdom revealed a shortfall of assets of USD 3,053,776 (CHF 3,157,025). The Institute entered into a recovery plan with the Trustee of the Federated Pension Scheme in December 2009, to finance the deficit plus interest over a six-year period. As part of the recovery plan USD 2,404,451 (CHF 2,381,917) has been paid through to May 31, 2013. As per December 31, 2013 and December 2012 the Institute has provided for the estimated total costs of securing liabilities and is considering closing future accrual to the scheme.

Restructuring

The Institute is in the process of consolidating its research activities at fewer branches. As part of this transition, the scientific activities at the Melbourne-Parkville branch ceased during 2012. The scientific staff relocated to the Walter and Eliza Hall Institute, Melbourne with transition support from the Institute. The final administrative accounts were settled during the first half of 2013. The New York Branch closed at the end of 2012. Under current plans, the Melbourne-Austin Branch will be closed by the end of 2014. Provision has been made in the financial statements for redundancy and severance pay due to Institute staff members as a result of these branch closures.

Other

Various claims have been made by former staff against the Institute. Some of the claims have resulted in court filings. Institute management disputes the claims made and shall contest them vigorously. For the purposes of preparing the financial statements, management has carried out an assessment of the claims made giving due consideration to the various outcomes. Provision has been made in the financial statements under Provisions – Other, reflecting the results of this assessment.

15. Directors' emoluments

The members of the Institute's Board of Directors constitute all of the Board of Directors of the Fund. In 2013 and 2012, the President of the Institute and the Fund and the Institute's Scientific Director were members of both Boards of Directors.

Emoluments consist of (i) Directors' fees, (ii) Salaries and social benefits, (iii) Settlement and release payments and (iv) Other remuneration. Directors' fees were paid by the Institute and the Fund; Salaries and social benefits were paid by the Institute and The Ludwig Group, Inc., a subsidiary company; Settlement and release payments and Other remuneration were paid by the Institute.

	USD		CHF	
Description	**2013**	**2012**	**2013**	**2012**
Directors' fees	366,860	399,306	344,518	378,582
Salaries & social benefits	1,296,550	1,773,011	1,217,590	1,680,992
Settlement and release payments	400,000	0	375,640	0
Other remuneration	11,683	16,126	10,971	15,289
Total emoluments	2,075,093	2,188,443	1,948,719	2,074,863

The Scientific Director in post in 2012 resigned in October 2012 but continued to serve as a member on both the Institute and the Fund Board of Directors from which point he commenced receiving directors' fees.

The vacant Scientific Director position was filled in June 2013.

In 2013 and 2012 the President of the Institute and the Fund and the Institute's Scientific Director received salaries and social benefits but did not receive directors' fees. The Chairman and the remaining members of the two Boards including the former Scientific Director received directors' fees but did not receive salaries & social benefits. The former Scientific Director received a Settlement and release payment of USD 400,000 (CHF 375,640) in 2013. One member of the Board of Directors was paid other remuneration in 2013 and 2012.

The remuneration of the two Boards of Directors, the Chairman of the two Boards, the President of the Institute and the Fund and the Institute's Scientific Director are subject to review by the Institute's Board Compensation Committee.

Salaries are benchmarked against objective, third party comparable levels of compensation for fairness and reasonableness. The individual levels of Directors' fees have remained unchanged since 1998.

At December 31, 2013 and 2012, there were nine members of both the Board of Directors of the Institute and the Fund.

16. Related party transactions

Effective January 1, 2006, the Institute and the Fund entered into new administrative service agreements with The Ludwig Group, Inc. (LGI), a wholly owned subsidiary of Universe Tankships, Inc., Delaware, USA. These agreements replace the former contracts between the two parties, which were in effect as from January 1, 1996.

Fees paid by the Institute and the Fund under the service agreements including occupancy related costs amounted to USD 4.8 Mio. (CHF 4.5 Mio.) in 2013 and USD 5.0 Mio. (CHF 4.7 Mio.) in 2012.

Payables in favor of LGI by the Institute and the Fund as of December 31, 2013 and December 31, 2012 amounted to USD 1.3 Mio. (CHF 1.1 Mio.) and USD 1.3 Mio. (CHF 1.2 Mio.) respectively.

Effective October 22, 2012, the Institute entered into a Research Collaboration and License Agreement with iTeos Therapeutics SA. Collaboration and license fees invoiced to iTeos amounted to USD 0.1 Mio (CHF 0.1 Mio.) in 2013.

17. Expenditure analysis

The Institute and the Fund prepare, by entity, various statistical and information returns which require analysis of expenditure between i) program service, ii) management and general and iii) grant writing costs.

Using this analysis, on a consolidated basis, for the year 2012 (the latest year where analysis data is currently available), total expenditure is analysed as program service expenditure - USD 95,881,127 (79%) (CHF 90,904,897); management and general expenditure - USD 22,944,909 (19%) (CHF 21,754,068) and grant writing expenditure - USD 2,606,078 (2%) (CHF 2,470,823).

For 2011, total expenditure is analysed as program service expenditure - USD 104,846,402 (82%) (CHF 99,404,874); management and general expenditure - USD 21,011,400 (16%) (CHF 19,920,908) and grant writing expenditure - USD 2,918,777 (2%) (CHF 2,767,292).

18. System of internal control and the conduct of the annual assessment of risk

The Institute's and the Fund's Board of Directors and management are responsible for determining the system of internal controls operated and for monitoring the adequacy and effectiveness of the control environment. The Institute's and the Fund's internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles in Switzerland / Financial Reporting Standards – Swiss GAAP FER.

The Institute and the Fund have adopted a risk-based approach to internal control and accept that it is neither possible nor cost effective to build a control environment that is risk free. Accordingly, the system of internal controls in place is designed to manage rather than to eliminate risk. The system of internal control is an on-going process designed to identify the principal financial reporting risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

In 2013, the Institute's and the Fund's management conducted a risk assessment of the key processes already documented in the form of process flowcharts. Risks within those key processes were identified and evaluated as to their likelihood and impact based on predefined scales, incorporating quantitative and qualitative criteria. For each of the identified risks, the risk level was calculated as a multiple of the likelihood and impact. Top risks for each process were identified based on their respective risk level and classified further as financial reporting or operational risks. Key controls were defined and implemented to mitigate those top financial risks. Non-financial reporting risks are considered outside of the ICS through other LICR policies and procedures.

The Institute's and Fund's management assessed the effectiveness of the LICR Internal Control System (ICS) over financial reporting during the year under review and reported thereon to the Institute's and Fund's Audit Committees.

The respective Audit Committees have the delegated responsibility to oversee the development and operation of the internal control system, to receive reports from the Risk and Compliance Officer and External Auditors, to review the internal control system documentation and to agree any actions necessary to implement recommended improvements. The Audit Committees met four times during the year and provided the Institute's and the Fund's Board of Directors at each of the Boards' following meetings with their considered opinion on the status of internal controls.

The Boards of Directors of the Institute and the Fund assessed the effectiveness of the ICS for financial reporting throughout the year and believe that the LICR system of internal control for financial reporting was properly in effect as of December 31, 2013.

As part of the system of internal control, the internal audit function continued to operate and verify the adequacy and effectiveness of internal controls, carry out work to test the controls and provide reports to the Audit Committee. The operations of the Uppsala and the Sao Paulo Branches were reviewed by internal audit during 2013 and reports were submitted to the Audit Committee.

Risk assessments shall be carried out on an annual basis by the Risk and Compliance Officer reporting to the Audit Committees. They shall be based on annual self-reassessment of risks and controls by the ICS process owners, information obtained by interviews of the Institute's and the Fund's management and key personnel and further evaluation and testing of controls when carrying out internal audits.

19. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements of the Ludwig Institute for Cancer Research Ltd as of December 31, 2013, together with the Report of the Auditors, dated May 16, 2014, are hereby submitted to the General Meeting of Shareholders.

20. Subsequent events

There are no subsequent events to report, which might have a material impact on the Consolidated Financial Statements.

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Ludwig Institute for Cancer Research Ltd, Zurich

Performance Report

Purposes of the organisation

The Ludwig Institute for Cancer Research Ltd (the Institute) is an international not-for-profit organisation with a 40-year legacy of pioneering cancer discoveries. The Institute provides its scientists from around the world with the resources and the flexibility to realise the life-changing potential of their work and see their discoveries advance human health. This philosophy, combined with robust translational programs, maximises the potential of breakthrough discoveries to be more attractive for commercial development by third parties.

The Institute conducts its own research and clinical trials, making it a bridge from the most basic questions of life to the most pressing needs of cancer care. Since its inception, the Institute has invested around USD 1.7 billion of its own resources in cancer research, and has an endowment valued at USD 1.3 billion. The Institute's assets are managed by LICR Fund, Inc. (the Fund).

The Institute has around 600 scientists, clinicians, postdoctoral fellows, students and support staff located in seven countries who are focused on multiple aspects of cancer research. The Institute is part of the larger Ludwig Cancer Research (Ludwig) community, which also includes the Ludwig Centers at six U.S. institutions, all pursuing breakthroughs to alter the course of cancer.

The Institute's research activities are principally organised through various Branches and Centres. Each Branch occupies defined space and functions in close association with a local university, research institute and / or not-for-profit hospital. A number of collaborative individual investigators, laboratories and centers complement the Institute's Branch network and extend its international reach and research footprint.

The Institute continued to attract significant external funding to support its core research programs. Some highlights of external funding secured by the Institute in 2013 are as follows:-

- Funding of USD 8.3 million from the Cancer Research Institute, New York and MedImmune LLC, Gaithersburg was secured for a Phase I clinical study managed by the Institute's Clinical Trials Management group. The study was commenced in 2013 and continues in 2014.

- Drs. Cavenee, Furnari and Mischel at the Institute's San Diego Branch were awarded USD 5 million over a 5-year period by Cure GBM, LLC, a wholly owned subsidiary of the US National Brain Tumor Society in order to advance the clinical development of Institute research findings in glioblastoma multiforme, a deadly form of brain cancer.

In 2013, the Institute received USD 15.6 million (CHF 14.5 million) from industrial and philanthropic resources. In addition, external funding from Government sources amounting to USD 15.6 million (CHF 14.7 million) was taken to income in 2013. The total amount received of USD 31.2 million (CHF 29.2 million) was 17.5 % (USD) and 18.3% (CHF) lower than the 2012 amount received of USD 37.9 million (CHF 35.8 million). The decrease in external funding received is mainly related to the closure of the Melbourne-Parkville and New York Branches.

Managing bodies and senior staff

The Statutes and By-laws of the Institute determine the responsibilities and the authority of the following organs of the company: -

the Board of Directors,
the Management, comprising the Executive Officers and
the Branch Directors.

The Board is elected at the General Meeting of Shareholders, held each year in June, for a one-year term of office. The members of the Institute's Board of Directors are automatically members of the Board of Directors of the Fund which receives, holds and manages the investment portfolio of the Institute.

Ludwig Institute for Cancer Research Ltd, Zurich

The individuals who served as members of the Board of Directors of both the Institute and the Fund during 2013 were as follows: - John L. Notter (Chairman); Alfred Berger; Stephen F. Bollenbach; Olivier Dunant; John D. Gordan III; Samuel Hellman, MD; Adolf E. Kammerer; Sir David Lane, PhD; Edward A. McDermott Jr. and Andrew J.G. Simpson, PhD. Andrew J.G. Simpson, PhD did not stand for re-election at the 2013 Annual General Meeting.

The Executive Officers of the Institute constitute its management and consist of the President; the Scientific Director; the Executive Directors; the Chief Financial Officer and the Secretary to the Board of Directors.

These posts were held as of December 31, 2013, by the following individuals: -

President	Edward A. McDermott Jr.
Scientific Director	Sir David Lane, PhD
Executive Director of Operations	Eric W. Hoffman, PharmD
Executive Director of Technology Development	Jonathan C.A. Skipper, PhD
Executive Director of Collaborative Sciences	Robert L. Strausberg, PhD
Chief Financial Officer and Secretary to the Board	Richard D.J. Walker

The Scientific Director and Executive Directors were supported by: -

Director of Human Resources	Kimberly McKinley-Thomas
Director of Intellectual Property	Pär Olsson, PhD
Director of Communications	Rachel Steinhardt
Director of Clinical Trials Management and Chief Medical Officer	Ralph Venhaus, MD

The Institute has a Scientific Advisory Committee that provides advice to the Scientific Director on scientific matters as well as the review and promotion of scientific staff. As of December 31, 2013, the Scientific Advisory Committee was composed of: - Sir David Lane, PhD (Chairman), Titia de Lange, PhD; Philip D. Greenberg, MD; Lucy Shapiro, PhD; Sir John Skehel, PhD; Craig B. Thompson, MD and Christopher T. Walsh, PhD. Eric W. Hoffman, PharmD was the Secretary.

The Institute carries out its research activities primarily through its Branches and Centres which are each managed by a Director or a senior scientist, who is responsible for the scientific program and, together with the Branch Administrator, the administration of the Branch.

The leadership of the Institute's locations as of December 31, 2013 was as follows: -

Brussels	Benoît Van den Eynde, PhD
Lausanne	George Coukos, MD, PhD
Melbourne-Austin	Jonathan Cebon, MD, PhD
Oxford	Xin Lu, PhD
San Diego	Webster K. Cavenee, PhD
Sao Paulo	Anamaria Camargo, PhD
Stockholm	Thomas Perlmann, PhD
Uppsala	Carl-Henrik Heldin, PhD

Some Executive Officers, Branch Directors and other senior staff members hold academic positions within the host institutions with which the Institute is associated.

Ludwig Institute for Cancer Research Ltd, Zurich

Results of work on Institute research programs in 2013

Scientific Publications

Laboratory and clinical research to further the understanding and control of cancer is conducted at the Institute's Branches and through collaborations with other institutions. In 2013, progress was made in the study of the cancer genome, cancer biology, cancer genetics, signal transduction, cancer immunology, and therapeutic modalities of cancer vaccines, enzyme therapy, small molecule inhibitors, RNA interference therapy and targeted antibodies.

The Institute is committed to prompt and active dissemination of its research results. In the year 2013, the publication record by location was as follows: -

	Primary Research Articles	Reviews/ Book Chapters/ Commentaries	Total
Brussels	29	8	37
Baltimore Collaborative Laboratory	4	0	4
Lausanne Centre	54	17	71
Melbourne WEHI Collaborative Laboratory	25	0	25
Melbourne–Austin	52	11	63
New York Collaborative Laboratory	9	7	16
Oxford	34	7	41
San Diego	68	10	78
Sao Paulo	45	6	51
Stockholm	12	1	13
Uppsala	21	15	36
Total	**353**	**82**	**435**

Clinical Trials

Nine Institute-sponsored clinical trials were ongoing in 2013. Two additional studies were managed by the Institute, but not sponsored directly. Institute investigational study agents were provided for an additional 17 clinical trials sponsored and managed by local entities. These 28 trials were supported by 17 active Institute regulatory dossiers [Nine Investigational New Drug (IND) applications (USA), one Drug Master File (DMF), five Clinical Trial Applications (CTA), one Investigational Medicinal Product Dossier (IMPD; European Union), and one Clinical Trial Notification (CTN) in Australia]. Over the year, the Institute made one new regulatory submission and 37 supplemental submissions to its active regulatory dossiers in five countries.

Clinical Trial Sites

The following sites had active Institute-managed trials in 2013:

Asia

- Chang Gung Memorial Hospital- LinKou Branch, Taoyuan, Taiwan
- National Cheng Kung University Hospital, Taipei, Taiwan
- National Taiwan University Hospital, Taipei, Taiwan

Australasia

- Austin Hospital (LICR Melbourne – Austin Branch), Melbourne, VIC, Australia

Ludwig Institute for Cancer Research Ltd, Zurich

Europe

- St. Luc Hospital, Brussels, Belgium
- Krankenhaus Nordwest, Frankfurt, Germany
- University Hospital Nijmegen, Nijmegen, Netherlands
- Centre Pluridisciplinaire d'Oncologie (LICR Lausanne Centre), Lausanne, Switzerland
- St. Bartholomew's Hospital, London, UK

North America

- Case Comprehensive Cancer Center, Cleveland, OH, USA
- Cleveland Clinic, Cleveland, OH, USA
- Dana-Farber Cancer Institute, Boston, MA, USA
- Duke University Medical Center, Durham, NC, USA
- Fox Chase Cancer Center, Philadelphia, PA, USA
- Memorial Sloan-Kettering Cancer Center, New York, NY, USA
- Mount Sinai Hospital, New York, NY, USA
- New York University Clinical Cancer Center, New York, NY, USA
- University of Chicago, Chicago, IL, USA
- University of Pittsburgh Cancer Institute, Pittsburgh, PA, USA
- University of Virginia, Charlottesville, VA, USA

Technology Development

To enable the Institute to bring new discoveries to public benefit and as effectively as possible, its support goes beyond the initial discoveries to determine how they might impact cancer and how they might be further developed and attract additional investment from third party drug development partners. To achieve these ends, the Institute has a comprehensive patent protection and licensing policy and several new patents have issued and technology licenses were completed this past year. In 2013, ten new patents were issued and ten new applications filed in the United States of America and a further five new international patent applications were filed. Immunotherapy is rapidly becoming a centerpiece in the detection and treatment of cancer. This continues to be a focus of the Institute's translational research and is also reflected in the patents issued and filed by the Institute. In addition the discovery and patenting of the new genomic methods Smart-Seq2 and Haploseq reflects the Institute's established expertise in the genomics field and an emerging focus in seeking useful applications for its genomics know-how.

In 2013, several new research collaboration and licensing agreements with commercial partners were implemented and significant progress was made in other existing collaborative programs. The Institute's cancer immunotherapy initiative with the Cancer Research Institute was extended to clinical research and development collaborations with new partners, Immune Design and CureVac.

Immune Design launched a phase I clinical trial of IDC-G305 which comprises NY-ESO-1 antigen and GLA-SE adjuvant, in patients with unresectable or metastatic cancer. The collaboration allows for the Institute to design and conduct investigational clinical studies of combination products containing Immune Designs agents, including a novel lentivector cancer vaccine approach.

Similarly, the collaboration with CureVac will allow the Institute to design and conduct investigational clinical studies using combinations containing CureVac's development product CV9202, an RNA based cancer vaccine containing several lung cancer associated antigens NY-ESO-1, MAGE-C1 and MAGE-C2, all discovered by the Institute.

In the previously established clinical research and development collaboration with MedImmune (a subsidiary of AstraZeneca), a significant milestone was met with the opening of the first investigational clinical trial designed and conducted by the Institute. The study evaluates the novel combination of the anti-PDL1 (MEDI4736) and anti-CTLA-4 (Tremelimumab) antibodies from MedImmune.

The Institute also extended an existing antibody discovery collaboration with the Swiss biotechnology company 4-Antibody, with the addition of three new targets and a new collaborative partner, Institute start-up Recepta Biopharma in Brazil.

GlaxoSmithKline (GSK) announced that Astuprotimut-R, also known as MAGE-A3-ASCI (Antigen Specific Cancer Immunotherapy), did not meet the first co-primary endpoint in Phase III melanoma clinical trial (DERMA trial), as it did not significantly extend disease-free survival when compared to placebo in the MAGE-A3 positive population. The Independent Data Monitoring Committee recommended GSK continue the study until the second co-primary endpoint is assessed. The second co-primary endpoint is disease-free survival in the gene signature positive sub-population. The MAGEA3 GSK has completed recruitment of a phase III study of MAGE-A3-ASCI in non-small cell lung cancer. Enrolment was also completed in the Institute sponsored phase I clinical study of MAGE-A3-ASCI in patients with symptomatic multiple myeloma.

Acceleron Pharma continues to develop Dalantercept (ACE-041), a novel angiogenesis inhibitor that targets the activin receptor-like kinase 1 (ALK1) pathway, technology discovered by the Institute. A fifth phase II clinical study of Dalantercept was launched, adding Hepatocellular cancer to the list of indications already being targeted: advanced head and neck, renal, endometrial and ovarian cancer. Genentech opened a new phase1/2 clinical study of PI3K inhibitor GDC-0941 (RG7321) in combination with cisplatin in patients with receptor negative metastatic breast cancer. GDC-0941 was discovered by Institute start-up company Piramed which was later acquired by Roche/Genentech. Several other phase II clinical studies of GDC-0941 have been previously initiated in different cancers by Genentech. Morphotek (a subsidiary of Eisai) launched a new phase I clinical study of monoclonal antibody MORAb-004 in pediatric patients with relapsed or refractory solid tumors. MORAb-004 is one of two monoclonal antibodies licensed by Morphotek from the Institute. The Australian biotechnology company Circadian Technologies, which has commercial rights to certain Institute technologies in angiogenesis and in which Institute has an ownership share, completed enrolment of a Phase Ia clinical trial of its fully human monoclonal antibody against VEGF-C (VGX-100). Enrolment of an additional phase Ib study of VGX-100 in combination with Bevacizumab (Avastin) is ongoing.

Lastly, Institute start-up Serametrix announced the launch of "a new service using" a blood test that measures a patient's level of circulating Myeloid Derived Suppressor Cells (MDSCs) that are known to decrease anti-tumor immunity and are associated with poor survival rates in cancer patients. The service will initially be offered to drug companies engaged in the clinical development of experimental immunotherapies. The new test was developed at the Institute's New York Collaborative Laboratory at MSKCC.

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Material Transfer Agreements

The Institute entered into 180 material transfer agreements during 2013. These were mainly with academic institutions (175 agreements) whereby the Institute supplied reagents free of charge to the academic community, while five material transfer agreements were entered into with commercial organisations. One agreement may cover several reagents.

The material originated from the following locations: -

	2013	2012
Brussels	32	39
Melbourne – Parkville	0	37
Melbourne – Austin	18	18
New York	0	20
Oxford	19	13
San Diego	50	32
Sao Paulo	0	0
Stockholm	0	0
Uppsala	15	36
Affiliates/inventors from several Branches	46	48
Total	**180**	**243**

Licensing / Royalties

In accordance with the objective of making scientific discoveries available to the general public, the Institute enters into agreements with commercial organisations having the substantial financial, management and technological resources necessary to develop Institute discoveries for therapeutic purposes.

The Institute was party to 185 license, sublicense and option agreements with commercial organisations at the beginning of 2013. A further fifteen agreements were signed during the year, while nine agreements expired or were terminated with the result that at year end the portfolio comprised a total of 191 agreements.

Most of these agreements are with companies selling Institute reagents for laboratory research purposes or with companies using Institute-developed reagents for in-house research purposes only.

A total of 40 of these agreements relate to the development of therapeutic and diagnostic products. One agreement relates to a therapeutic product presently on the market, GM-CSF (granulocyte macrophage colony stimulating factor), while the rest relate to products at various stages of development, from pre-clinical testing to Phase I, II and III clinical trials of the products. A total of five therapeutic products which involve Institute intellectual property are currently in Phase III trials.

GM-CSF is a broad stimulator of hematologic progenitor cells for patients with low white blood cell counts and was licensed to Bayer Schering Pharma AG in 1986 under an Invention Administration Agreement with the Institute by Research Corporation Technologies Inc. (RCT), Tucson, Arizona. GM-CSF was co-invented with scientists from the Walter and Eliza Hall Institute for Medical Research (WEHI), Melbourne, with the priority application filed in 1984. Bayer Schering Pharma AG owns the rights to the therapeutic product Leukine. Bayer entered into an exclusive worldwide licence for Leukine with Genzyme Corporation in 2009 for all present and future indications. Genzyme was later acquired by Sanofi-Aventis.

The gross income to the Institute from license fees and royalty income totalled USD 6.7 million for 2013 and net income totalled USD 4.7 million after co-owner sharing.

When appropriate, the Institute looks to facilitate the establishment of new start-up companies to support the further development of Institute-owned technologies emerging from the Institute's own research programs. At the end of 2013, the Institute had holdings in eleven start-up companies with products at various stages of development originating from licenses to Institute technology: Circadian Technologies Ltd (Australia), iTeos Therapeutics SA (Belgium), Recepta Biopharma S.A. (Brazil), CT Atlantic AG and TC Metrix Sàrl (Switzerland), Activiomics Ltd and Ark Therapeutics Group Plc (United Kingdom) and Cancer Vaccine Acceleration Company, LLC, Extended Delivery Pharmaceuticals LLC, Life Sciences Pharmaceuticals, Inc and Serametrix Corporation (USA).

Human Resources

An important aspect of the Institute's developing programs is the training of outstanding young scientists who will in time join an emerging new generation of cancer investigators. During the year, thirteen PhD students started their postgraduate training with the Institute and eleven completed their training with the Institute. At December 31, 2013, the Institute was acting as sponsor to 109 postdoctoral fellows and 79 PhD students.

Academic Review

There were no member track promotions during the 2013.

Ludwig Institute for Cancer Research Ltd, Zurich

Awards and Distinctions

The quality of the Institute's investigators continued to be internationally recognised. In the last year, the following awards and distinctions were received: -

Brussels

Stefan Constantinescu, MD, PhD	Elected to Membership ("Membre associé") of the Royal Academy of Medicine of Belgium (Brussels, Belgium)

Lausanne Centre

Olivier Michielin, MD, PhD	Received a Leenards Nested Research Project Bursary 2013, together with D. Hanahan, K. Homicsko and P-Y Dietrich
Pedro Romero, MD	Distinguished with the title of Doctor Honoris Causa from the Universidad Nacional de Colombia, Bogotá, Colombia

New York Collaborative Laboratory

Michael Postow, MD	Received a Young Investigator Award in 2013 from the Conquer Cancer Foundation
Dmitriy Zamarin, MD, PhD	Awarded the Dr. Bart A. Kamen Fellowship of the Damon Runyon Cancer Research Foundation
	Received a Young Investigator Award in 2013 from the Conquer Cancer Foundation

Oxford

Xin Lu, PhD	Elected as a Fellow of the UK Academy of Medical Sciences
Peter Ratcliffe, MD	Awarded the 2013 Jakob-Herz-Prize by the Friedrich-Alexander University Erlangen-Nürnberg, Germany

San Diego

Webster Cavenee, PhD	Elected as a Fellow of the American Association for Cancer Research Academy
Don W. Cleveland, PhD	Elected as the President of the American Society for Cell Biology
Richard Kolodner, PhD	Elected as a Member of the Institute of Medicine, National Academy of Sciences (USA)
Bing Ren, PhD	Elected as a Fellow of the American Association for the Advancement of Science

Uppsala

Carl-Henrik Heldin, PhD	Elected as Chairman of the Board of the Nobel Foundation