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 2015

KPMG AG

Zurich, 26 May 2016

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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, statement of income and expenditure, statement of cash flows, statement of capital changes and notes for the year ended 31 December 2015.

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 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 2015 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
Licensed Audit Expert
Auditor in Charge

Marc Sterchi
Licensed Audit Expert

Zurich, 26 May 2016

Enclosure:
- Consolidated financial statements (balance sheet, statement of income and expenditure, statement of cash flows, statement of capital changes and notes)

Ludwig Institute for Cancer Research Ltd, Zurich

Consolidated Balance Sheet as at December 31, 2015

	USD		CHF	
	2015	**2014**	**2015**	**2014**
Assets				
Cash and cash equivalents (Notes 2a & 3)	31,088,015	29,694,078	30,786,359	29,507,014
Financial assets (Notes 2b, 4 & 9)	1,291,355,650	1,308,185,309	1,278,829,500	1,299,943,742
External funding receivables (Note 2e)	5,852,520	2,886,921	5,795,750	2,868,715
Other short-term receivables (Notes 5 & 9)	3,147,125	2,872,250	3,116,595	2,854,144
Prepaid expenses and accrued income	3,599,141	2,715,469	3,564,200	2,698,372
Total current assets	1,335,042,451	1,346,354,027	1,322,092,404	1,337,871,987
Financial assets (Notes 2c & 6)	2,331,624	1,758,278	2,308,968	1,747,190
Investments (Notes 1, 2c & 7)	26,789,876	18,194,222	26,529,864	18,079,637
Total non-current assets	29,121,500	19,952,500	28,838,832	19,826,827
Total assets	1,364,163,951	1,366,306,527	1,350,931,236	1,357,698,814
Liabilities and shareholders' equity				
Short-term accounts payable (Note 11)	8,417,693	9,305,827	8,335,984	9,247,205
Other short-term liabilities (Note 12)	1,409,995	1,039,692	1,396,316	1,033,142
Short-term provisions (Note 13)	5,906,909	5,663,067	5,849,601	5,627,413
Accrued short-term expenses	4,470,289	3,947,053	4,426,922	3,922,169
Deferred income (Notes 2e & 14)	11,663,880	5,988,361	11,550,740	5,950,612
Total short-term liabilities	31,868,766	25,944,000	31,559,563	25,780,541
Other long-term liabilities (Note 15)	610,489	443,641	604,566	440,846
Accrued long-term expenses	30,100	45,331	29,808	45,045
Total long-term liabilities	640,589	488,972	634,374	485,891
Total liabilities	32,509,355	26,432,972	32,193,937	26,266,432
Share capital (Note 1)	50,490	50,317	50,000	50,000
Donated capital	572,000,000	572,000,000	773,352,000	773,352,000
General legal retained surplus (Note 1)	10,098	10,063	10,000	10,000
Voluntary retained surplus	759,594,855	767,769,217	978,913,953	986,918,339
Translation adjustment (Note 1)	(847)	43,958	(433,588,654)	(428,897,957)
Total shareholders' equity	1,331,654,596	1,339,873,555	1,318,737,299	1,331,432,382
Total liabilities and shareholders' equity	1,364,163,951	1,366,306,527	1,350,931,236	1,357,698,814

Ludwig Institute for Cancer Research Ltd, Zurich

Consolidated Statement of Income and Expenditure
for the year ended December 31, 2015

	USD		CHF	
	2015	2014	2015	2014
Interest	1,994,949	5,458,053	1,935,900	5,001,158
Dividends	1,824,841	1,667,187	1,770,826	1,527,643
Other income	6,947	4,501	6,741	4,124
Total investment income	3,826,737	7,129,741	3,713,467	6,532,925
Net realised gains on investment transactions (Notes 2b & 4)	87,797,476	91,656,661	85,198,671	83,983,684
Net unrealised depreciation of investments (Notes 2b & 4)	(42,157,006)	(21,992,033)	(40,909,163)	(20,162,848)
Net unrealised foreign exchange (losses) / gains (Note 2d)	(2,122,584)	(1,415,996)	(2,157,616)	1,447,310
Share of profit / (loss) and capital contribution in associated entities (Note 7)	9,091,866	(1,065,010)	8,822,879	(976,161)
Total other gains from investment activities	52,609,752	67,183,622	50,954,771	64,291,985
Asset management, custodian & other fees	4,916,943	8,124,233	4,771,401	7,444,235
Other administration expenses	1,190,987	1,068,525	1,155,734	979,089
Total expenditure related to investment activities	6,107,930	9,192,758	5,927,135	8,423,324
Net gain from investment activities	50,328,559	65,120,605	48,741,103	62,401,586
External funding (Notes 2e & 14)	33,522,884	34,653,642	32,623,275	32,350,881
License fees and royalties	6,754,123	5,456,766	6,554,251	4,998,110
Contributions	3,000,000	3,000,000	2,911,100	2,749,025
Other operating income (Note 8)	461,722	421,239	448,056	385,981
Total operating income	43,738,729	43,531,647	42,536,682	40,483,997
Salaries & social benefits (Notes 12 & 16)	42,634,678	50,163,789	41,372,799	45,959,405
Laboratory	9,842,709	12,176,763	9,551,390	11,156,790
Equipment & other assets and leasehold improvements (Notes 2f & 8)	2,369,951	3,617,233	2,299,804	3,314,340
Collaborative research programs	25,287,326	19,509,912	24,538,957	17,873,516
Other operating expenses	16,431,467	15,850,048	15,919,093	14,532,920
Total operating expenditure	96,566,131	101,317,745	93,682,043	92,836,971
(Deficit) / Surplus for the year (Note 1)	(2,498,843)	7,334,507	(2,404,258)	10,048,612
Voluntary retained surplus at the beginning of the year	767,769,217	761,227,528	986,918,339	978,199,311
Net change in restricted funds (Note 14)	(5,675,519)	(792,818)	(5,600,128)	(1,329,584)
Voluntary retained surplus at the end of the year	759,594,855	767,769,217	978,913,953	986,918,339

Consolidated Statement of Cash Flows
for the year ended December 31, 2015

	USD		CHF	
	2015	2014	2015	2014
Medical research related income	43,738,729	43,531,647	42,536,682	40,483,997
Medical research related expenditure	(96,566,131)	(101,317,745)	(93,682,043)	(92,836,971)
Operating deficit	(52,827,402)	(57,786,098)	(51,145,361)	(52,352,974)
Net change in receivables and payables relating to operations	(1,999,466)	(6,306,144)	(1,896,602)	(5,737,034)
Net cash used by operating activities	(54,826,868)	(64,092,242)	(53,041,963)	(58,090,008)
Net gain from investment activities	50,328,559	65,120,605	48,741,103	62,401,586
Net realised gain on investment transactions (Notes 2 & 4)	(87,797,476)	(91,656,661)	(85,198,671)	(83,984,998)
Net unrealised depreciation of investments (Notes 2 & 4)	42,157,006	21,992,033	40,909,163	20,162,848
Net change in forward currency contracts (Note 9)	230,482	593,454	223,660	543,782
Share of profit and capital contribution in associated entities (Note 7)	(9,091,866)	1,065,010	(8,822,879)	976,161
Net change in receivables and payables relating to investing activities	(1,803,764)	2,160,425	(1,750,373)	1,979,597
Purchase of securities	(554,624,830)	(488,006,978)	(538,207,935)	(447,160,794)
Proceeds from sale of securities	616,657,041	551,949,688	598,403,993	505,751,499
Effects of exchange movements	165,653	1,949,475	23,247	1,473,212
Net cash generated by investment activities	56,220,805	65,167,051	54,321,308	62,142,893
Net increase in cash and cash equivalents	1,393,937	1,074,809	1,279,345	4,052,885
Cash and cash equivalents at the beginning of the year	29,694,078	28,619,269	29,507,014	25,454,129
Cash and cash equivalents at the end of the year	31,088,015	29,694,078	30,786,359	29,507,014

Ludwig Institute for Cancer Research Ltd, Zurich

Consolidated Statement of Capital Changes for the year ended December 31, 2015

Shareholders' equity

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. Their sole power is to exercise their voting rights in accordance with the exclusively charitable and scientific purposes of the Institute.

USD	Share Capital	General legal retained surplus	Donated capital	Voluntary retained surplus	Translation adjustment	Share-holders' equity
Balance at December 31, 2013	56,218	11,243	572,000,000	761,227,528	(6,767)	1,333,288,222
Surplus for the year	0	0	0	7,334,507	0	7,334,507
Translation adjustment	(5,901)	(1,180)	0	0	50,725	43,644
Net change in restricted funds	0	0	0	(792,818)	0	(792,818)
Balance at December 31, 2014	50,317	10,063	572,000,000	767,769,217	43,958	1,339,873,555
Deficit for the year	0	0	0	(2,498,843)	0	(2,498,843)
Translation adjustment	173	35	0	0	(44,805)	(44,597)
Net change restricted funds	0	0	0	(5,675,519)	0	(5,675,519)
Balance at December 31, 2015	50,490	10,098	572,000,000	759,594,855	(847)	1,331,654,596

CHF	Share Capital	General legal retained surplus	Donated capital	Voluntary retained surplus	Translation adjustment	Share-holders' equity
Balance at December 31, 2013	50,000	10,000	773,352,000	978,199,311	(565,784,779)	1,185,826,532
Surplus for the year	0	0	0	10,048,612	136,886,822	146,935,434
Net change in restricted funds	0	0	0	(1,329,584)	0	(1,329,584)
Balance at December 31, 2014	50,000	10,000	773,352,000	986,918,339	(428,897,957)	1,331,432,382
Deficit for the year	0	0	0	(2,404,258)	(4,690,697)	(7,094,955)
Net change in restricted funds	0	0	0	(5,600,128)	0	(5,600,128)
Balance at December 31, 2015	50,000	10,000	773,352,000	978,913,953	(433,588,654)	1,318,737,299

Donated capital

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

	Year	Currency	Amount	Currency	Amount
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

Voluntary retained surplus

The Statutes of the Ludwig Institute for Cancer Research Ltd stipulate that the surplus of the year is not to be distributed to shareholders and accordingly the available voluntary retained surplus is carried forward.

Notes to the Consolidated Financial Statements as at December 31, 2015

1. Accounting principles and scope of consolidation

Basis of presentation

The accompanying consolidated financial statements of the Ludwig Institute for Cancer Research Ltd (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. In order to comply with the new law on accounting and financial reporting, that became effective on January 1, 2013 and is applicable to financial statements as of and for the financial year 2015, some prior year's figures have been reclassified.

Scope of consolidation

The consolidated financial statements include the financial results of the Institute, a not for profit organisation incorporated in Zurich, Switzerland, the Fund, 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 spin-off company in which the Institute holds an 80% interest. The consolidation is based on the audited financial statements of the Institute and the Fund and the financial statements of TC Metrix. All inter-company transactions and balances have been eliminated. No minority interests exist for the Fund. Due to TC Metrix reporting a cumulative net loss in 2015, no minority interests are shown for TC Metrix.

Universe Tankships, Inc., Marshall Islands, a wholly-owned subsidiary of the Institute, which engages in substantially different activities than the Institute and iTeos Therapeutics SA (iTeos), Ottignies-Louvain-La-Neuve, Belgium, in which the Institute owns 37.22% of shares and voting rights, have been accounted for using the shareholders' equity method.

Ludwig Technologies, Inc., Delaware, USA, a wholly-owned subsidiary of the Institute, has been accounted for at acquisition cost. Similarly, investments of insignificant value or negative equity, in which the Institute holds at least 20% and not more than 50%, have been accounted for at acquisition costs and, if applicable, adjusted for impairment losses.

Nature of operations

The Institute carries out its scientific and clinical activities at various branches in conjunction with hospitals in university medical centres. During 2015 the Institute's research branches were situated in Brussels, Lausanne, 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 financial statements 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 Voluntary retained surplus, 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 equity. 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 USD equivalents of the consolidated financial statements 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 Consolidated 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 USD equivalents of the consolidated financial statements apart from Share capital and General legal retained surplus. Share capital and General legal retained surplus are translated into USD at the London closing rates of exchange at year-end. The resulting translation difference is shown as a separate component of equity.

Foreign exchange differences, which arise from foreign exchange in preparing the Institute's USD accounts, are included on a yearly basis in the deficit / surplus for the year.

2. Accounting policies and valuation standards

a) Cash and cash equivalents

Cash on hand and at banks, funds on call and cash deposits are classified as Cash and cash equivalents.

b) Current assets - Financial Assets

Investment instruments included in the Financial assets caption are stated at fair value. Publicly traded investments are valued at the last reported sales price on the date of valuation, as quoted on major securities exchanges. Securities that are not traded on major securities exchanges are valued based on quotations received from leading vendors. Forward foreign currency contracts are valued based on the average of closing bid and asked quotations from banks and brokers. Pooled investments are funds that are not held at the Fund’s custodian bank. These funds are part of multiple investors’ commingled funds, which are invested in one or more asset classes by a fund manager. These investments are valued at their closing net asset value per share on the valuation date, which is their redeemable value.

The Fund invests in limited partnerships formed for the purpose of earning returns from alternative investment strategies. Investments in limited partnerships held by the Fund are reported at net asset value as a practical expedient for fair value, which generally represent the Fund’s proportionate share of the net assets of the investee partnerships as reported by them and reviewed by management for reasonableness. The underlying partnerships in which the Fund invests may hold nonmarketable securities, the fair value of which has been determined by the general partners of the respective partnerships. The Fund’s proportionate share of net asset values may differ significantly from the fair values that would have been used had a ready market existed. The Fund’s proportionate share of the change in values of the investee partnerships is recorded as an increase or a decrease in Net unrealized appreciation of investments in the Consolidated Statements of Income and Expenditure. Investments in mutual funds are valued at their closing net asset value per share on the valuation date, which is their redeemable value.

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.

c) Non-current assets

Financial assets, which are traded on a stock exchange, are valued at the stock market price prevailing at the end of the year. Investments in companies where the holding is greater than 20% of the share capital are valued using the shareholders' equity method, unless they are of insignificant value or have negative equity.

All other financial assets and investments are accounted for at acquisition cost and, if applicable, adjusted for impairment losses.

d) Foreign currency 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) Operating expenditure and operating 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.

e) 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 and is accounted for as Deferred income. 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 External funding receivables.

f) 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 operating expenditure, including the cost of patenting and licensing intellectual property is expensed in the year it is incurred.

g) 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. As the company has accumulated losses no tax is payable as at December 31, 2015 and 2014.

3. Pledged assets

The Institute has pledged all its assets with a financial institution, included under Cash and cash equivalents, as collateral for a letter of credit of USD 0.8 Mio. (CHF 0.8 Mio.). The letter of credit has been issued to the lessor of the New York office premises and as at December 31, 2015 and 2014 these assets amounted to USD 17.4 Mio. (CHF 17.3 Mio.) and USD 19.9 Mio. (CHF 19.9 Mio.) respectively.

The Fund obtained a revolving line of credit of USD 25.0 Mio. (CHF 24.8 Mio.) through a financial institution on May 20, 2008. The applicable interest rate charged for 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. At December 31, 2015, there were no amounts outstanding under this agreement. At December 31, 2014 there was USD 5.0 Mio outstanding under this agreement. This amount was settled in January, 2015. The line of credit is collateralised by qualifying assets with a fair value of approximately USD 84.0 Mio. (CHF 83.2 Mio.) as at December 31, 2015.

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4. Current assets – Financial assets

Financial assets held as current assets as at December 31, 2015 and 2014 were as follows: -

	USD		CHF	
Description	**2015**	**2014**	**2015**	**2014**
Financial assets at fair value				
Invested cash and cash equivalents				
- US Dollars	25,548,405	10,202,039	25,300,585	10,137,766
- Other currencies	2,257,958	1,639,226	2,236,056	1,628,899
Equity investments	89,550,365	96,295,672	88,681,727	95,689,010
Fixed income investments				
- Government	21,142,758	26,011,680	20,937,673	25,847,806
- Corporate	10,584,949	16,236,188	10,482,275	16,133,900
Due from brokers	1,271,119	1,133,887	1,258,789	1,126,744
Net unrealised (loss) / gain on foreign currency contracts	(171,790)	185,753	(170,124)	184,583
Financial assets at fair value	150,183,764	151,704,445	148,726,981	150,748,708
Financial assets at net asset value				
Pooled equity investments	456,394,204	477,513,505	451,967,180	474,505,170
Pooled fixed income investments				
- Corporate	132,204,132	141,153,563	130,921,752	140,264,296
Alternative investments (limited partnerships)	552,573,550	537,813,796	547,213,587	534,425,568
Financial assets at net asset value	1,141,171,886	1,156,480,864	1,130,102,519	1,149,195,034
Total financial assets	1,291,355,650	1,308,185,309	1,278,829,500	1,299,943,742

Net asset value (NAV) is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value.

5. Other short-term receivables

Other short-term receivables of USD 3,147,125 (CHF 3,116,595) as at December 31, 2015 and USD 2,872,250 (CHF 2,854,144) as at December 31, 2014 included doubtful debts, which have been fully provided for, in the amount of USD 543,814 (CHF 538,538) and USD 546,702 (CHF 543,258) respectively.

6. Non-current assets – Financial assets

	USD		CHF	
Description	**2015**	**2014**	**2015**	**2014**
CT Atlantic AG				
Net investment	10,098	10,064	10,000	10,000
hVIVO plc				
(formerly Retroscreen Virology Group plc)				
Net Investment	81,052	74,807	80,265	74,338
Life Sciences Pharmaceuticals, Inc.				
Net investment	1,457	1,457	1,443	1,448
Opthea Limited				
(formerly Circadian Technologies Ltd.)				
Net investment	910,651	434,317	901,784	431,557
Premier Veterinary Group plc				
(formerly Ark Therapeutics Group plc)				
Net investment	13,814	4,520	13,680	4,492
Serametrix Corporation				
Net investment	100	100	99	100
iOx Therapetics Ltd				
Net investment	37	0	37	0
Loans to staff	717,279	789,372	710,316	784,409
US 457b Pension plan (see Note 15 Other long-term liabilities)	597,136	443,641	591,344	440,846
Total financial assets	2,331,624	1,758,278	2,308,968	1,747,190

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 and, if applicable, adjusted for impairment losses.

Ludwig Institute for Cancer Research Ltd, Zurich

In 2015 iOx Therapeutics Ltd was launched to develop novel cancer immunotherapies discovered through a collaboration between the Institute and the University of Oxford. The company was granted a bearing license from the Institute, providing rights to intellectual property. The nominal share capital of iOx Therapeutics Ltd, Oxford, (United Kingdom) is GBP 253.

The Institute has granted various housing loans to Oxford and San Diego Branch staff primarily upon moving to the respective Branch location. The outstanding long term receivables amounted to USD 717,279 (CHF 710,316) as at December 31, 2015 and USD 789,372 (CHF 784,409) as at December 31, 2014. Short-term receivables for these loans are recorded under Other short-term receivables and amounted to USD 39,317 (CHF 38,936) in 2015 and USD 40,458 (CHF 40,203) in 2014.

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7. Non-current assets - Investments

Description	USD 2015	USD 2014	CHF 2015	CHF 2014
Universe Tankships, Inc.				
Share capital	5,103,000	5,103,000	5,053,501	5,070,851
Percentage owned and voting rights	100%	100%	100%	100%
Net investment at January 1	16,218,000	17,672,000	16,115,827	15,717,477
Dividends paid to the Institute	0	0	0	0
Comprehensive loss for the year	(855,000)	(1,454,000)	(829,692)	(1,332,300)
Translation adjustment	0	0	(72,156)	1,730,650
Net investment at December 31	15,363,000	16,218,000	15,213,979	16,115,827
iTeos Therapeutics SA				
Share capital	2,381,880	2,641,175	2,358,745	2,624,586
Share premium	2,535,614	2,811,643	2,510,985	2,793,985
Capital contribution	4,000,450	2,656,831	3,961,593	2,640,145
Cumulative results	21,781,543	(2,801,494)	21,569,975	(2,783,899)
percentage owned and voting rights	37.22%	37.22%	37.22%	37.22%
Net investment at January 1	1,975,695	2,108,920	1,963,287	1,875,684
Sale of shares	0	(251,689)	0	(230,433)
Share of premium	0	448,601	0	410,716
Share of capital contribution	615,891	643,229	597,670	588,908
Share of net operational profit / (loss) for the year	9,330,975	(702,840)	9,054,901	(643,485)
Translation adjustment	(496,212)	(270,526)	(300,495)	(38,103)
Net investment at December 31	11,426,349	1,975,695	11,315,363	1,963,287
Miscellaneous investments	527	527	522	523
Total investments at December 31	26,789,876	18,194,222	26,529,864	18,079,637

Universe Tankships, Inc. holds 100% of share and voting rights in The Ludwig Group, Inc. (USA) (LGI), Bahama Chemicals Ltd (Bahamas) and Tassel Corporation (British Virgin Islands). LGI provides administrative services to the Institute (see short-term accounts payable). Bahama Chemicals Ltd and Tassel Corporation are in the process of being dissolved.

iTeos Therapeutics SA, Ottignies-Louvain-La-Neuve, Belgium, has been accounted for using the shareholder's equity method. iTeos Therapeutics SA was founded in 2012 and is a joint spin-off of the Institute and the de

Duve Institute at the Catholic University of Louvain. Capital of EUR 3.1 Mio. (USD 4.1 Mio., CHF 3.7 Mio.) was raised from the Institute, Hunza Ventures SCA, Life Sciences Research Partners, VIVES Louvain Technology Fund and several business angels. This financing complements a EUR 6 Mio. non-dilutive grant from the Belgian Walloon Government, which was received in December 2011. iTeos's research program focuses on the development of small molecule immunomodulators that can increase the efficacy of cancer immunotherapy, as well as leverage the spontaneous tumour immune response. The Institute initially held 49.75% and currently holds 37.22% of the capital of iTeos.

In 2014 Pfizer Inc. acquired 683,790 shares from existing shareholders at EUR 4.30 per share including a capital premium of EUR 4.01 as part of a financing agreement. As part of this arrangement Pfizer acquired 347,103 shares from the Institute, resulting in a realised gain of EUR 1,305,107 (USD 1,752,498, CHF 1,604,499). The Institute currently holds 2,430,674 out of a total of 6,530,792 shares, representing a percentage owned of 37.22%.

With respect to miscellaneous investments in which the Institute holds at least 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. The Institute holds 29.6% of the shares and voting rights.

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. Ludwig Technologies, Inc. holds 14.05% of the shares and the voting rights in the company Extended Delivery Pharmaceuticals, LLC, Connecticut, LLC (USA). This biotechnology company is developing a long-acting type of insulin.

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 of which the Institute holds 50%.

8. Tangible fixed assets

During the years ended December 31, 2015 and December 31, 2014 the purchase of equipment & other assets and expenditure on leasehold improvements, amounting to USD 2,369,951 (CHF 2,299,804) and USD 3,617,233 (CHF 3,314,340) respectively, was expensed in the year of acquisition. Receipts arising from the disposal of equipment & other assets amounting to USD 2,593 (CHF 2,516) and USD 5,899 (CHF 5,405) respectively were credited in full to Other operating income.

9. 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 2015 and 2014 unrealised gains of USD 286,558 (CHF 283,778) and USD 281,419 (CHF 279,646) and unrealised losses of USD 331,287 (CHF 328,074) and USD 95,666 (CHF 95,063) respectively, arising from contracts open at year end, are included in Current assets – Financial assets with respect to the Fund and Other short-term receivables with respect to the Institute. They represent the changes in fair value of the contracts from the time of the Fund's and the Institute's conclusion of the contracts.

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	2015	2014	2015	2014
Forward currency purchases	35,397	15,610	35,054	15,511
Forward currency sales	35,352	15,796	35,010	15,696

10. Lease and leasing commitments

	USD		CHF	
Year	2015	2014	2015	2014
2015	0	4,712,644	0	4,682,963
2016	4,437,812	1,527,908	4,394,765	1,518,285
2017	3,600,808	1,326,775	3,565,879	1,318,415
2018	3,417,463	1,146,285	3,384,314	1,139,064
2019	3,409,160	1,138,010	3,376,091	1,130,841
2020	3,314,326	1,043,180	3,282,177	1,036,599
2021-2026	11,734,274	0	11,620,452	0
Lease and leasing commitments not recorded in the balance sheet	29,913,843	10,894,802	29,623,678	10,826,167

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

11. Short-term accounts payable

	USD		CHF	
Description	2015	2014	2015	2014
Accounts payable - third parties	6,899,562	7,860,426	6,832,579	7,810,910
Accounts payable - due to related parties	1,518,131	1,445,401	1,503,405	1,436,295
Total accounts payable	8,417,693	9,305,827	8,335,984	9,247,205

Effective January 1, 2006, the Institute and the Fund entered into new administrative service agreements with LGI, a wholly owned subsidiary of Universe Tankships, Inc. (see Non-current assets – Investments). These agreements replace the former contracts between the respective parties, which were in effect as from January 1, 1996.

Payables in favour of LGI by the Institute and the Fund amounted to USD 1,518,131 (CHF 1,503,405) as at December 31, 2015 and USD 1,445,401 (CHF 1,436,295) as at December 31, 2014. The total of all invoices issued under the service agreements amounted to USD 5,747,116 (CHF 5,577,001) in 2015 and USD 5,569,817 (CHF 5,103,623) in 2014.

12. Other short-term liabilities

	USD		CHF	
Description	**2015**	**2014**	**2015**	**2014**
Other short-term liabilities to third parties	1,293,676	851,286	1,281,125	845,927
Other short-term liabilities to pension funds	104,295	169,601	103,284	168,528
Other short-term liabilities to governing body	12,024	18,805	11,907	18,687
Total other short-term liabilities	1,409,995	1,039,692	1,396,316	1,033,142

Institute wide, the annual cost of the employer’s contributions in 2015 and 2014 for all plans amounted to USD 2,577,729 (CHF 2,501,436) and USD 3,740,394 (CHF 3,426,843) 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 31.12.15**	Share of commit-ment 31.12.15*	Share of commit-ment 31.12.14*	Change in commit-ment*	Contri-butions 2015 incl. change in commit-ment*	Contri-butions 2015	Contri-butions 2014
	USD	USD	USD	USD	USD	USD	USD
Federated Pension Scheme (UK)	102	(1,409)	(1,511)	(102)	(102)	0	11
Vita Collective Insurance (CH)	N/A	0	0	0	0	63	74
AXA Foundation for Occupational Benefits (CH)	N/A	0	0	0	0	279	294
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Federated Pension Scheme (UK)	101	(1,395)	(1,501)	(106)	(106)	0	10
Vita Collective Insurance (CH)	N/A	0	0	0	0	61	68
AXA Foundation for Occupational Benefits (CH)	N/A	0	0	0	0	270	269

* 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 at 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) at the historical exchange rate. 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), at historical exchange rates, has been paid through to May 31, 2013. As at December 31, 2015 and 2014 the Institute provided for the estimated total costs of securing liabilities and has closed future accrual to the scheme.

In Switzerland, the Institute operates a scheme with the AXA Foundation for Occupational Benefits (AXA) for staff employed in Switzerland. The invested capital amounted to USD 7.4 Mio. (CHF 7.3 Mio.) as at December 31, 2015 and USD 7.2 Mio. (CHF 7.2 Mio.) as at December 31, 2014. The capital invested is guaranteed 100% by AXA.

Also in Switzerland, the Institute operated a scheme with the VITA Collective Insurance Foundation (VITA) for the staff at the Lausanne branch. Due to the change in the Branch structure this scheme is now closed to new membership. The invested capital amounted to USD 2.7 Mio. (CHF 2.7 Mio.) as at December 31, 2015 and USD 2.4 Mio. (CHF 2.4 Mio.) as at December 31, 2014. VITA has communicated a funding ratio of 107.3% as of November 2015.

Although the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (Occupational Pensions Act) does not apply to the Institute's pension schemes outside of Switzerland, various disclosures are described below.

In Australia, the Melbourne-Austin branch was a registered employer with the Defined Benefit Division of UniSuper (UniSuper DBD), a pension scheme for Australian universities and associated organisations. All employees at the Melbourne-Austin Branch left the Institute as at December 31, 2014 and no further liability exists by the Institute versus UniSuper.

In Belgium, a scheme was in place during 2015 and 2014 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 2015 and 2014 the Institute operated two defined contribution schemes at the 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 2014 the Uppsala branch replaced Plan 2 with a new pension plan (Maxplan), a defined contribution scheme which is based on the benefit scheme of the Plan 2 and carries the same costs for the employer.

In the United Kingdom, the Institute is a registered employer with the Universities Superannuation Scheme (the USS scheme) which, under the defined benefits section, sets the level of contributions based on the advice of the schemes 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, 2014 and this showed, under the Technical Provisions basis as required by the UK Pensions Regulator, a funding level of 89%. Taking account of the underfunding of the scheme, various benefit reforms have been introduced and a recovery plan has been prepared by the Trustee to satisfy the requirements of section 226 of the UK Pensions Act 2004 after obtaining advice of the scheme's actuary. These arrangements have been agreed with Universities UK, the body nominated by the Rules of the scheme to represent the institutions with a liability to the scheme. The main points of the benefit reforms are that the USS final salary section shall cease taking new contributions from April 1, 2016 and contributions on salaries up to GBP 55,000 (the Threshold) shall in future be made to the USS Career Revalued Benefits section. For salaries over the threshold, members shall in addition become members of a new Defined Contribution section. To correct the shortfall on the Defined Benefit section, for the period up to April 1, 2016, employers shall pay deficit contributions of 16% of salaries less the employer future service cost of accrual. On the assumptions made by the actuary, this gives rise to a deficit contribution of 0.7% of salaries for this period. For the period from April 1, 2016 to March 31, 2031, the employers' deficit contributions will amount to 18% of salaries less the employer future service cost of accrual in the Defined Benefit section together with the employer contribution to the Defined Contribution section and the expenses of administering the scheme including Pension Protection Fund (PPF) levies. On the assumptions made and once the salary threshold and Defined Contribution section are introduced, this gives rise to deficit contributions of at least 2.1% of salaries over the period to March 31, 2031. From April 1, 2016 until the salary threshold and Defined Contribution section are introduced around October 2016, the deficit contributions amount to 2.5% of salaries.

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 agreement (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 at December 2015 and 2014.

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 13.2 Mio. (CHF 13.1 Mio.) as at December 31, 2015 and USD 9.0 Mio. (CHF 9.0 Mio.) as at December 31, 2014.

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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13. Short-term provisions

USD	Tax related	Pension schemes	Restruc-turing	Other	Total
Provisions as per 31.12.13	4,581,741	1,465,826	959,947	771,595	7,779,109
Additions	580,596	612,646	0	302,809	1,496,051
Utilisations	0	(473,702)	(425,427)	(8,946)	(908,075)
Dissolutions	(1,604,278)	0	(248,014)	(236,382)	(2,088,674)
Currency adjustments	(401,171)	(93,808)	(26,339)	(94,026)	(615,344)
Provisions as per 31.12.14	3,156,888	1,510,962	260,167	735,050	5,663,067
Additions	196,825	78,305	736,430	155,029	1,166,589
Utilisations	0	(95,117)	(260,167)	(94,425)	(449,709)
Dissolutions	0	(13,819)	0	0	(13,819)
Currency adjustments	6,885	(71,196)	(148,416)	(246,492)	(459,219)
Provisions as per 31.12.15	3,360,598	1,409,135	588,014	549,162	5,906,909

CHF	Tax related	Pension schemes	Restruc-turing	Other	Total
Provisions as per 31.12.13	4,075,000	1,303,694	853,806	686,268	6,918,768
Additions	532,000	561,142	0	277,464	1,370,606
Utilisations	0	(421,307)	(378,393)	(7,957)	(807,657)
Dissolutions	(1,470,000)	0	(227,162)	(216,508)	(1,913,670)
Currency adjustments	0	57,937	10,277	(8,848)	59,366
Provisions as per 31.12.14	3,137,000	1,501,466	258,528	730,419	5,627,413
Additions	191,000	75,990	714,632	150,440	1,132,062
Utilisations	0	(94,520)	(258,528)	(93,830)	(446,878)
Dissolutions	0	(13,410)	0	0	(13,410)
Currency adjustments	0	(74,071)	(132,321)	(243,194)	(449,586)
Provisions as per 31.12.15	3,328,000	1,395,455	582,311	543,835	5,849,601

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.

All amounts in the following paragraphs have been converted into USD at the respective exchange rates for the years concerned.

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 again setting out 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 tax advisors again wrote to the Swiss Federal Tax Administration 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 at December 31, 2015 and December 31, 2014, this provision including interest including interest amounted to USD 2,898,112 (CHF 2,870,000) and USD 2,776,492 (CHF 2,759,000) respectively.

A new value added tax law was introduced effective from January 1, 2010. Based on advice from tax advisors, provisions required under the new tax law were considerably reduced. As at 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 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 at December 31, 2013. In 2014 the Federal Administration Court has overruled the practice of the VAT authorities and provisions were substantially reduced to USD 380,397 (CHF 378,000) as per December 31, 2014 and were adjusted to USD 462,486 (CHF 458,000) as per December 31, 2015.

The total provisions including interest as at December 31, 2015 and 2014 are USD 3,360,598 (CHF 3,328,000) and USD 3,156,888 (CHF 3,137,000) respectively. The respective charges have been made against Operating expenditure – Other operating expenses.

In August / September 2015, the Swiss Federal Tax Administration carried out a further audit at the Institute's Zurich office covering the tax years 2007 to 2014. The Institute is awaiting the outcome of the audit.

Pension schemes

The actuarial valuation as at March 31, 2009 of the FPS in the United Kingdom revealed a shortfall of assets of USD 3,053,776 (CHF 3,157,025) at the historical exchange rate. 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 at December 31, 2015 and 2014 the Institute has provided for the estimated total costs of securing liabilities and the process of winding up the scheme is in the final stages.

All amounts in the preceding paragraph have been converted at the respective exchange rates for the years concerned.

Restructuring

The Institute is in the process of consolidating its research activities at fewer, but larger locations to maximise the impact of its resources. Provision has been made in the financial statements for redundancy and severance pay due to Institute staff members. As part of this transition, the scientific activities of the Melbourne-Austin branch ceased at the end of 2014. The scientific staff relocated to the Olivia Newton-John Cancer Research Institute with financial support from the Ludwig Institute. The scientific activities of the Sao Paulo branch ceased at the end of February 2016.

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 continues to 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.

14. Deferred income - change in restricted funds

	USD		CHF	
Description	**2015**	**2014**	**2015**	**2014**
Deferred income at January 1	5,988,361	5,195,543	5,950,612	4,621,028
Usage of deferred income	(2,089,197)	(4,145,401)	(2,076,013)	(3,687,023)
Additional deferred income	7,757,832	4,967,878	7,682,581	4,936,567
Exchange rate adjustments	6,884	(29,659)	(6,440)	80,040
Deferred income at December 31	11,663,880	5,988,361	11,550,740	5,950,612
Net change in restricted funds	5,675,519	792,818	5,600,128	1,329,584

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 External funding and Net change in restricted funds in the Consolidated Statement of Income and Expenditure (see note 2, Accounting policies and valuation standards, Research external funding).

15. Other long-term liabilities

	USD		CHF	
Description	**2015**	**2014**	**2015**	**2014**
US 457b Pension plan	597,136	443,641	591,344	440,846
Other long-term liabilities - third parties	13,353	0	13,222	0
Total other long-term liabilities	610,489	443,641	604,566	440,846

This US 457b Pension plan, a non-qualified, tax advantaged deferred compensation retirement plan, is available to some Institute employees in the United States. The Institute provides the plan, and the employees defer compensation into it on a pre-tax basis. The total liability includes the return on investment credited to the employee accounts and is offset by a respective financial asset (see Note 6 Non-current assets – Financial assets).

16. Directors' emoluments

The members of the Institute's Board of Directors constitute all of the Board of Directors of the Fund. In 2015 and 2014, 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, and (iii) Other remuneration. Directors' fees were paid by the Institute and the Fund; Salaries and social benefits were paid by the Institute and LGI and Other remuneration was paid by the Institute.

	USD		CHF	
Description	**2015**	**2014**	**2015**	**2014**
Directors' fees	384,186	370,372	372,814	339,372
Salaries & social benefits	1,469,430	1,478,336	1,425,935	1,354,599
Other remuneration	6,557	11,347	6,363	10,397
Total emoluments	1,860,173	1,860,055	1,805,112	1,704,368

In 2015 and 2014, 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 Chairperson and the remaining members of the two Boards received directors' fees but did not receive salaries & social benefits. One member of the Board of Directors was paid other remuneration in 2015 and 2014.

The remuneration of the two Boards of Directors, the Chairperson of the two Boards, the President of the Institute and the Fund and the Institute's Scientific Director are subject to review respectively by the Institute's and the Fund's Compensation Committees.

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, 2015 and 2014, there were ten members of both the Board of Directors of the Institute and the Fund.

17. Other related party transactions

Effective October 22, 2012, the Institute entered into a Research Collaboration and License Agreement with iTeos Therapeutics SA. Income from license fees, external funding and cost recovery amounted to USD 1,512,856 (CHF 1,468,096) in 2015 and USD 52,707 (CHF 48,256) in 2014.

18. 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 2014 (the latest year where analysis data is currently available), total expenditure is analysed as program service expenditure - USD 85,043,027 (77%) (CHF 77,924,926); management and general expenditure - USD 22,870,029 (21%) (CHF 20,955,808) and grant writing expenditure - USD 2,320,379 (2%) (CHF 2,126,163).

For 2013, total expenditure is analysed as program service expenditure - USD 91,009,120 (78%) (CHF 85,466,665); management and general expenditure - USD 22,730,756 (20%) (CHF 21,346,453) and grant writing expenditure - USD 2,125,235 (2%) (CHF 1,995,808).

19. 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 control operated and for monitoring the adequacy and effectiveness of the control environment (ICS). The Institute's and the Fund's system of 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 control 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 2015, the Institute's and the Fund's managements conducted risk assessments 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 to be outside of the ICS and are addressed through other policies and procedures.

The Institute's and Fund's managements assessed the effectiveness of the 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 received reports from the Institute's Risk and Compliance Officer with regard to the ICS at four of their respective meetings during the year.

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 ICS for financial reporting was properly in effect as of December 31, 2015.

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 respective Audit Committee. The operations of the Stockholm Branch were reviewed by internal audit during 2015 and reports were submitted to the Institute's Audit Committee.

Risk assessments are 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.

20. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements of the Ludwig Institute for Cancer Research Ltd as at December 31, 2015, together with the Report of the Auditors, dated May 26, 2016, are hereby submitted to the General Meeting of Shareholders.

21. 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 organization

The Ludwig Institute for Cancer Research Ltd (the Institute) is an international not-for-profit organisation with a 45-year legacy of pioneering discoveries relating to cancer. The Institute provides its scientists from around the world with the resources and the flexibility to facilitate the realisation of the life-changing potential of their work and advance their discoveries for the benefit of human health. This philosophy, combined with robust translational programs, maximises the potential of breakthrough discoveries.

The Institute conducts its own basic research as well as 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 about USD 1.83 billion of its own resources in cancer research, and has an investment pool valued at USD 1.3 billion. The Institute's investment portfolio is held and managed by LICR Fund, Inc. (the Fund).

The Institute now has around 420 scientists, clinicians, postdoctoral fellows, students and support staff located in six 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 Centres at six U.S. institutions, all pursuing breakthroughs to alter the course of cancer.

The Institute’s research activities are principally organised through Branches. 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 individual investigators, laboratories and centres complement the Institute's Branch network through a wide range of collaborative research programs thereby extending the international reach and research footprint of the Institute.

The Institute continued to attract significant external funding to support its core research programs.

In 2015, the Institute received USD 22.3 million (CHF 21.8 million) from industrial and philanthropic resources. In addition, external funding from Government sources amounting to USD 11.2 million (CHF 10.8 million) was taken to income in 2015. The total amount received of USD 33.5 million (CHF 32.6 million) was 3.3% lower (USD) and 0.9% (CHF) higher than the 2014 amount received of USD 34.7 million (CHF 32.4 million). The decrease in external funding received is mainly related to lower funding from government sources.

The five highest providers of external funding to the Institute were as follows:-

US National Institutes of Health – USD 10.0 million (CHF 9.7 million); the Cancer Research Institute, New York, USA – USD 2.8 million (CHF 2.7 million); the Catholic University of Louvain, Brussels, Belgium – USD 2.8 million (CHF 2.7 million); the Karolinska Institute, Stockholm, Sweden – USD 2.5 million (CHF 2.4 million); and the De Duve Institute, Brussels, Belgium – USD 1.5 million (CHF 1.5 million).

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.

The individuals who served as members of the Board of Directors of both the Institute and the Fund during 2015 were as follows: - John L. Notter (Chairperson); Alfred Berger; Stephen F. Bollenbach; Olivier Dunant; John D. Gordan III;

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Samuel Hellman, MD; Adolf E. Kammerer; Sir David Lane, PhD; Edward A. McDermott Jr. and Philip A. Pizzo, MD.

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, 2015, 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: -

Vice-President for Human Resources	Kimberly Thomas
Vice-President for Communications	Rachel Steinhardt
Director of Intellectual Property	Pär Olsson, PhD
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 of scientific staff. As of December 31, 2015, the Scientific Advisory Committee was composed of: - Sir David Lane, PhD (Chairperson), José Baselga, MD, PhD; Philip D. Greenberg, MD; Lucy Shapiro, PhD; Karen H. Vousden, PhD and Christopher T. Walsh, PhD. Eric W. Hoffman, PharmD was the Secretary.

The Branches are each managed by a Director or a senior scientist, who is responsible for the scientific program as well as the administration of the Branch.

The leadership of the Institute's locations as of December 31, 2015 was as follows: -

Brussels	Benoît Van den Eynde, PhD
Lausanne	George Coukos, MD, PhD
Oxford	Xin Lu, PhD
San Diego	Richard D. Kolodner, 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.

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Results of work on Institute research programs in 2015

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 2015, 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 2015, the publication record by location was as follows: -

	Primary Research Articles	Reviews/ Book Chapters/ Commentaries	Total
Baltimore Collaborative Laboratory	1	0	1
Brussels	30	9	39
Lausanne	25	21	46
Melbourne WEHI/ONJCR	45	5	50
NY Collaborative Laboratory	6	2	8
Oxford	50	11	61
San Diego	61	10	71
Sao Paulo	29	1	30
Stockholm	8	4	12
Uppsala	18	6	24
Total	***273***	***69***	***342***

Clinical Trials

Seven Institute-sponsored clinical trials were on-going in 2015. One additional study was managed by the Institute, but not sponsored directly. Institute investigational study agents were provided for an additional 19 active clinical trials sponsored and managed by local entities. These 27 trials were supported by 15 active Institute regulatory dossiers [Eight Investigational New Drug (IND) applications (USA), one Drug Master File (DMF), one Clinical Trial Application (CTA) in Switzerland, and five Clinical Trial Notifications (CTN) in Australia]. Over the year, the Institute made five new regulatory submission and 97 supplemental submissions to its active regulatory dossiers in three countries.

Clinical Trial Sites

The following sites had active LICR-managed trials in 2015:

Australia

- Austin Hospital (Ludwig Melbourne), Melbourne, VIC, Australia

Switzerland

- Centre Hospitalier Universitaire Vaudois (CHUV), Lausanne, Switzerland

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
- Johns Hopkins University, Baltimore, MD, USA

- Memorial Sloan-Kettering Cancer Center, New York, NY, USA
- Mount Sinai Hospital, New York, NY, USA
- North Shore Long Island Jewish Hospital, Long Island, NY, USA
- Roswell Park Cancer Institute, Buffalo, NY, USA
- Stanford University, Stanford, CA, USA
- University of California (UCLA), Los Angeles, CA, USA
- University of California (UCSF), San Francisco, CA, USA
- University of Pittsburgh Cancer Institute, Pittsburgh, PA, USA
- University of Virginia, Charlottesville, VA, USA
- Washington University, Saint Louis, MO, USA
- Women and Infants Hospital, Providence, RI, USA
- Yale University, New Haven, CT, USA

Technology Development

One of the main objectives of the Institute is to bring new discoveries to the public benefit as quickly and effectively as possible. To achieve these ends, the Institute's activities go beyond the initial discoveries to determine how they might impact cancer and how they might be further developed. Given the significant costs involved in drug development, which are beyond the resources available to the Institute, it is very important to attract additional investment from third party drug development partners. To facilitate this work, the Institute has, in addition to building in-house competence to initiate and manage early phase clinical trials, developed a comprehensive patent protection and licensing activity. Several new patents were issued and technology licenses were completed this past year. In 2015, nine US and six European new patents were issued, and 14 new applications filed in the United States of America and a further eight new international patent applications were filed.

Immunotherapy further established itself as a centrepiece 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, continued interest in the discovery and patenting of the new genomic methods reflects the Institute's established expertise in the genomics field and an emerging focus in seeking useful applications for its genomics know-how.

In 2015, 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 further extended with an additional clinical research and development collaboration with a new partner Targovax Oy. Active clinical research collaborations have now been established with eight partners including Medimmune/Astra Zeneca, Bristol Myers Squibb, Daiichi Sankyo, VentiRx, Oncovir, Immune Design, Boehringer/CureVac and GITR Inc., in addition to Targovax. Several corresponding clinical trials have been launched which are described elsewhere in this report.

Under the clinical collaboration with Targovax Oy, the Institute is designing and conducting a clinical trial with the investigational agent, ONCOS-102, an engineered human serotype 5 adenovirus, combined with other immunotherapy agents available to the Institute's immunotherapy initiative.

The Institute's licensee, Agenus Inc., partnered the development of antibodies targeting GITR, OX40 and TIM-3 with the biopharmaceutical company Incyte Corporation. In 2011 the Institute entered into a license agreement with Agenus's subsidiary 4-Antibody for the Institute's rights into the same antibodies. The antibodies were originally identified and characterized through this collaboration.

At the American Society of Clinical Oncology meeting in June, AbbVie presented data from their phase I trial of ABT-414 (an antibody drug conjugate containing the Institute's monoclonal antibody Mab806), in glioblastoma. The clinical development of ABT-414 is continuing in glioblastoma and currently four different trials have been launched. In addition, AbbVie initiated a trial with the follow on "Mab806-like" antibody drug conjugate ABBV-221.

In July, the Institute, together with University of Oxford's technology commercialisation company, Isis Innovation, launched the new start-up company, iOx Therapeutics Ltd.. iOx will develop novel cancer immunotherapies discovered through a collaboration between the Institute and Professor Vincenzo Cerundolo at the Weatherall Institute of Molecular Medicine, University of Oxford. iOx has been granted a license from the Institute to intellectual property for multiple synthetic lipid compounds which activate invariant natural killer (iNKT) cells which could potentially play an important role in anti-tumour immunity.

Early in the year, the Institute signed a license agreement with Clontech Laboratories Inc. for the rights to the Smart-seq2 method for single-cell RNA-seq, which was developed in Rickard Sandberg's laboratory at the Institute's Stockholm Branch. As a result of this agreement, Clontech is now supplying the SMART-Seq™2 technology to the research community.

Material Transfer Agreements

The Institute entered into 121 material transfer agreements during 2015. These were mainly with academic institutions (118 agreements) whereby the Institute supplied reagents free of charge to the academic community, while three material transfer agreements were entered into with commercial organisations. One agreement may cover several reagents. The material originated from the following locations: -

	2015	2014
Brussels	24	24
Melbourne – ONJCRI	10	14
Oxford	10	3
San Diego	29	25
Sao Paulo	0	0
Stockholm	3	0
Uppsala	12	26
Affiliates/inventors from several Branches	33	31
Total	***121***	***123***

Licensing / Royalties

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

The Institute was party to 197 license, sublicense and option agreements with commercial organisations at the beginning of 2015. A further 15 agreements were signed during the year, while 11 agreements expired or were terminated with the result that at year end the portfolio comprised a total of 201 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 39 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 four 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 license 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, royalty income and patent cost recovery totalled USD 9.8 million for 2015. The net income after sharing with co-owners and inventors totalled USD 5.8 million.

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 2015, the Institute had holdings in twelve start-up companies with products at various stages of development originating from licenses to Institute technology:

- CT Atlantic AG (Switzerland)
- Cancer Vaccine Acceleration Company, LLC (USA)
- Extended Delivery Pharmaceuticals LLC (USA)
- hVivo plc (United Kingdom, formerly Retroscreen Virology Group plc)
- iOx Therapeutics Ltd (United Kingdom)
- iTeos Therapeutics SA (Belgium)
- Life Sciences Pharmaceuticals, Inc (USA)
- Orphea Limited (Australia, formerly Circadian Technologies Limited)
- Premier Veterinary Group plc (United Kingdom, formerly Ark Therapeutics Group plc)
- Recepta Biopharma S.A. (Brazil)
- Serametrix Corporation (USA)
- TC Metrix Sàrl (Switzerland)

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, twelve PhD students started their post-graduate training with the Institute and ten completed their training with the Institute. At December 31, 2015, the Institute was acting as sponsor to 92 postdoctoral fellows and 67 PhD students.

Academic Review

One staff member was promoted to the rank of **Member**: -

Frank Furnari, PhD	San Diego Branch

One scientist was promoted to the rank of **Associate Member**: -

Skirmantas Kriaucionis, PhD	Oxford Branch

Awards and Distinctions

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

San Diego

Paul S. Mischel, MD	Elected as a Fellow of the American Association for the Advancement of Science

Stockholm

Rickard Sandberg, PhD	Awarded the 2015 Valle Young Investigator Award