



## **LSP Advisory B.V.**

Report on the first half of 2015

**LSP Advisory B.V.**

Financial statements  
for the period January until June  
2015

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## Directors' report

### General

LSP Advisory B.V. was incorporated on 3 March 2008 as asset manager focussing on investments in publicly listed life sciences companies. It currently manages the Euronext listed LSP Life Sciences Fund N.V. (the Fund). During the reporting period the Assets under Management of this fund have increased from € 70.2 million to € 92.7 million, a 32% increase.

LSP Advisory B.V. has its statutory seat at Johannes Vermeerplein 9, Amsterdam, the Netherlands and is registered at the Trade Register of the Chamber of Commerce in Amsterdam under file number 34296447.

### Governance

LSP Advisory B.V. is a wholly owned subsidiary of LSP Advisory Group B.V. The LSP Advisory B.V. has been granted a license pursuant to Article 2:65 of the Dutch Financial Markets Supervision Act (Wft) by the Authority for the Financial Markets on 12 April 2011. With the Alternative Investment Fund Managers Directive (AIFMD) that came into force on 22 July 2014, this license has been converted into an AIFM license by legislative decree.

The Supervisory Board of LSP Advisory B.V. currently comprises of one member. The principal duties and responsibilities of the Supervisory Board include (i) the supervision of the management of LSP Advisory B.V. as well as to supervise the general course of affairs of LSP Advisory B.V., and (ii) resolving any conflict of interest situation LSP Advisory B.V. is involved in.

### Key Financial Data

In the first half year of 2015 LSP Advisory B.V. had revenues amounting to € 0.6 million compared to € 0.3 million in the prior year. This revenue consists of € 0.5 million management fee (2014: € 0.3 million) and € 0.1 million profit on disposal of fixed assets. Operating expenses for the period amount to € 0.5 million (2014: € 0.1 million) and the corporate income tax charge totals € 18 thousand (2014: nil), resulting in a net income for the period of € 0.1 million. Net income for the same period in 2014 amounted to € 0.2 million.

### **Fund's risk management**

The risks of LSP Advisory B.V. are, next to the outsourcing risk, mainly related to processes for managing the investments in the Fund. These main risks relating to are its investments are:

- Market risks
- Liquidity risk
- Counterparty risk, including settlement risk
- Operational risks, including preservation and legal and tax compliance risks

The Fund Manager applies a comprehensive process based on qualitative and quantitative risk measures to assess the risks of the Fund entailing a standard monitoring process which consists of pre-defined monitoring items and cycles. The overall exposure of the Fund is calculated by means of the Value-at-Risk (VaR) methodology. The Value-at-Risk methodology provides a measure of the potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level.

In relation to processes outsourced to third parties, LSP Advisory B.V. only uses service providers that have a strong internal control mechanism in place as evidenced by an ISAE 3402 type II statement or similar. The monitoring of the service provider and the quality of its processes is embedded into the risk management of LSP Advisory B.V.

Furthermore LSP Advisory B.V. has, in accordance with the AIFMD regulations, appointed a depositary for Fund. This depositary acts in the interest of the investors and is responsible for the safekeeping of the fund's assets and the oversight and supervision of the Fund and the management of the Fund.

### **Administrative organization and internal controls**

LSP Advisory B.V. has documented the administrative organization and internal controls in accordance with the Dutch Financial Markets Supervision Act (Wft) and the Decree on Market Conduct Supervision of Financial Business (Bgfo). During the reporting period we have reviewed the various aspects of our operations. Our review did not find anything that would lead us to conclude that the administrative organization and the system of internal controls as referenced in article 121 of the Bgfo does not satisfy the requirements as laid down in the Bgfo and related regulations. Furthermore, we did not find that the administrative organization and internal controls are ineffective or that they do not operate in accordance with their description.

Based on the above, we declare as LSP Advisory B.V. that we are in possession of a description of the administrative organization and internal controls in accordance with Article 121 of the Bgfo, which fulfils the requirements of the Bgfo. We also state with a reasonable degree of certainty that the administrative organization and the system of internal controls were effective and operated in accordance with its description during the reporting period.

The Directors of LSP Advisory B.V. confirm to the best of their knowledge that:

- the financial statements for the period January until June 2015 have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Netherlands Civil Code and give a true and fair view of the assets, liabilities and financial position of LSP Advisory B.V. as at 30 June 2015 and of its result for the period then ended;
- the report includes a fair review of the key developments of the company during the period and the effects thereof on the annual report, together with the principal risks and uncertainties of upcoming six months;
- the report provides adequate disclosure of the principal transactions with related parties.

### **Outlook**

For the second half of 2015, LSP Advisory B.V. expects to further grow its Assets under Management, in line with the ambition to become a sizable player in its market. It is expected that this growth comes from a combination of investment performance as well as through subscription by new investors.

### **LSP Advisory B.V.**

Mark Wegter

Joep Muijers

Geraldine O’Keeffe

## Balance sheet as at 30 June 2015

(before proposed appropriation of result)

Assets	30 June 2015		31 December 2014	
(in Euro)				
<b>Fixed Assets</b>				
Tangible fixed assets	1	-	1,823	1,823
<b>Current assets</b>				
Taxes and social security premiums		-	1,084	
Other receivables	2	931,675	5,052,882	
Cash and cash equivalents	3	1,989	318,590	
		933,664	5,372,556	
		933,664	5,374,379	

Liabilities	30 June 2015		31 December 2014	
(in Euro)				
<b>Equity</b>				
	4			
Issued capital		18,000	18,000	
Share premium		82,000	82,000	
General reserve		563,213	446,836	
Result for the year		72,735	2,629,102	
		735,948	3,175,938	
<b>Current liabilities</b>				
Payable to group companies	5	47,032	-	
Taxes and social security premiums	6	40,268	863,033	
Other liabilities	7	110,416	1,335,408	
		197,716	2,198,441	
		933,664	5,374,379	

## Income statement for the period January until June 2015

		01-06/2015	01-06/2014
(in Euro)			
Management fee	<b>8</b>	499,978	348,418
Other income	<b>9</b>	<u>100,000</u>	<u>-</u>
<b>Operating income</b>		599,978	348,418
Staff expenses	<b>10</b>	389,798	-
Other operating expenses	<b>11</b>	96,288	50,614
Depreciation tangible fixed assets		1,823	3,125
Cost sharing	<b>12</b>	-	82,582
Service fee	<b>13</b>	<u>21,150</u>	<u>-</u>
<b>Operating expenses</b>		509,059	136,321
<b>Operating income (loss)</b>		<u>90,919</u>	<u>212,097</u>
Interest income and similar proceeds		<u>-</u>	<u>265</u>
<b>Financial result</b>		-	265
<b>Income before tax</b>		<u>90,919</u>	<u>212,362</u>
<b>Corporate income tax</b>	<b>14</b>	18,184	-
<b>Net income (loss) for the year</b>		<u>72,735</u>	<u>212,362</u>



## Notes

### **General**

LSP Advisory B.V. is a private limited liability company established under the laws of the Netherlands on 3 March 2008. LSP Advisory B.V. has its statutory seat at Johannes Vermeerplein 9, Amsterdam, the Netherlands and is registered at the Trade Register of the Chamber of Commerce in Amsterdam under file number 34296447.

### **Principles of accounting**

#### **Basis of preparation**

The accompanying financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil code and the Generally Accepted Accounting Principles in the Netherlands. In view of the size of the company, the exemption provided for in article 396, Title 9, Book 2 of the Netherlands Civil code (small company) has been applied.

#### **Going concern**

These financial statements have been prepared on the basis of the going concern assumption.

### **General**

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Income and expenses are allocated to the financial year to which they relate.

All amounts are in Euro (€), the company's functional currency, unless otherwise stated.

### **Using estimates and judgments**

The preparation of the financial statements requires that management make judgements and use estimates and assumptions that affect the application of the accounting principles and the reported value of the assets and liabilities and the income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are continually reviewed. Revised estimates are incorporated in the period in which the estimate is revised and in future periods for which the revision has consequences.

### **Foreign exchange translation**

Transactions denominated in foreign currency are translated into the relevant functional currency of the company at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Translation gains and losses are taken to the profit and loss account as expenditure.

Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date. Non-monetary assets and liabilities in foreign currency that are stated at present value are translated into euros at the applicable exchange rates at the moment the present value is determined. Translation gains and losses are taken directly to equity as part of the revaluation reserve.

### **Fixed assets**

The fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of fixed assets is charged to the income statement on a straight-line basis over estimated useful life of 5 years (20% per annum), taking into account tax facilities for accelerated depreciation.

### **Receivables**

Receivables are stated at face value less any provisions deemed necessary.

### **Other assets and liabilities**

All other assets and liabilities are stated at face value.

**Shareholders' equity**

Financial instruments taking the legal form of shareholders' equity instruments are presented under shareholders' equity. Distributions to the holders of these instruments are deducted from shareholders' equity.

**Taxes**

Taxes are calculated on the result, taking into account existing tax facilities.

**Balance sheet as at 30 June 2015**

**1. Tangible fixed assets**

(in Euro)	01-06/2015	01-12/2014
Purchase price as per beginning of period	206,302	206,302
Accumulated depreciation as per beginning of period	<u>(204,479)</u>	<u>(198,229)</u>
Book value as per beginning of period	1,823	8,073
Investments	-	-
Depreciation	<u>(1,823)</u>	<u>(6,250)</u>
Changes in book value	(1,823)	(6,250)
Purchase price as per end of period	206,302	206,302
Accumulated depreciation as per end of period	<u>(206,302)</u>	<u>(204,479)</u>
Book value as per end of period	-	1,823

**Current Assets**

**2. Other receivables**

Other receivables consist of management fee from LSP Life Sciences Fund N.V. of € 122 thousand and receivables from LSP Services Deutschland GmbH, LSP Bioventures Management B.V., LSP Operations B.V. and LSP Management Group B.V.

**3. Cash and cash equivalents**

The cash at banks consists of the balance in the Euro bank account at the ING Bank in Amsterdam. All cash and cash equivalents are available on demand.

#### 4. Equity

(in Euro)	Issued capital	Share premium	General reserve	Unappropriated result	Total
Balance as at 31 December 2013	18,000	82,000	23,860	1,171,965	1,295,825
Changes during the year					
Transfer of result to reserve			1,171,965	(1,171,965)	-
Interim Dividend			(748,989)		(748,989)
Result for the year				2,629,102	2,629,102
Balance as at 31 December 2014	18,000	82,000	446,836	2,629,102	3,175,938
Changes during the year					
Transfer of result to reserve			2,629,102	(2,629,102)	-
Interim Dividend			(2,512,725)		(2,512,725)
Result for the period				72,735	72,735
Balance as at 30 June 2015	18,000	82,000	563,213	72,735	735,948

#### Issued capital

The authorised capital of the company amounts to € 90,000, divided in 90,000 common shares, with a par value of € 1.00, of which 18,000 shares have been issued and fully paid.

#### Current liabilities

##### 5. Payables to group companies

The payables to group companies consist of a payable to LSP Advisory Group B.V.

##### 6. Taxes and social security premiums

Taxes and social security premiums consist of VAT payable for the second quarter of 2015.

##### 7. Other liabilities

Other liabilities consist of various expenses made in the first half year of 2015, which will be paid before year end 2015.

## Income Statement for the period January until June 2015

### 8. Management fee

LSP Advisory B.V. has concluded an investment management agreement with LSP Life Sciences Fund N.V. pursuant to which LSP Advisory B.V. is entitled to receive a management fee equal to 1.5% per annum of the Net Asset Value excluding (i.e. before deduction of) the accrued management fee and performance fee. The management fee accrues on a daily basis by reference to the latest Net Asset Value and is payable by the Fund in arrears as per the last business day of each month.

### 9. Other income

LSP Advisory B.V. has sold two company cars in May 2015 for the total amount of € 0.1 million.

### 10. Staff expenses

(in Euro)	01-06/2015	01-06/2014
Gross wages and salaries	317,552	-
Social security charges	21,433	-
Pension insurance	46,381	-
Other staff expenses	4,433	-
<b>Total staff expenses</b>	<b>389,799</b>	<b>-</b>

As part of the AIFMD implementation, the Investment Managers and the Risk Manager have been seconded to LSP Advisory B.V. as of 1 July 2014. As part of this secondment agreement LSP Operations B.V. charges the fully loaded personnel expenses to LSP Advisory B.V. As such the above table shows the staff expenses for the period 1 January 2015 to 30 June 2015.

### 11. Other operating expenses

(in Euro)	01-06/2015	01-06/2014
Advisory costs	33,002	20,553
Travel, meeting and representation expenses	63,203	30,001
Other costs	83	60
<b>Total other operating expenses</b>	<b>96,288</b>	<b>50,614</b>

### 12. Cost sharing LSP Operations B.V.

(in Euro)	01-06/2015	01-06/2014
Cost sharing LSP Operations B.V.	-	82,582

### Cost sharing agreement

On 1st of January 2008 a cost sharing agreement between LSP Operations B.V., Life Sciences Partners Management B.V., LSP II Management B.V., LSP III Management B.V., LSP IV Management B.V., LSP Bioventures Management B.V., LSP Health Economics Fund Management B.V. and LSP Advisory B.V. became in effect. In this agreement it is stipulated that LSP Advisory B.V. shares cost in the amount of 0.25% of the yearly Net Asset Value of the portfolios managed by LSP Advisory B.V. with a minimum of € 25 thousand. As per 30 June 2014 LSP Advisory B.V. no longer participates in this cost sharing agreement, in connection with its separation from LSP Management Group B.V.

### 13. Service fee

(in Euro)	01-06/2015	01-06/2014
Service fee LSP Operations B.V.	21,150	-

From 1 July 2014 onwards LSP Operations B.V. charges a service fee at arm's length conditions to LSP Advisory B.V. for financial and legal services, office automation, service provider management and housing costs. For the period January until June 2015 the total fee charged amounted to € 21 thousand. Prior to 1 July 2014 these costs were part of the cost sharing agreement as described above.

### 14. Corporate income tax

As part of the AIFMD implementation, LSP Advisory B.V. has been separated from LSP Management Group B.V. with an effective date of 24 December 2014. As a consequence it is no longer part of the fiscal unity of the LSP Group and from the separation date onwards it bears its own corporate income taxes.

### Related party transactions

LSP Operations B.V. on charges third party expenses to LSP Advisory B.V. for travel costs, office expenses and marketing costs paid. For the first half year of 2015 the total amount charged is € 54 thousand. Furthermore as given account of in notes 10, 12 and 13, LSP Operations B.V. has charged LSP Advisory B.V. under the secondment agreement, the cost sharing agreement and the services agreement.

Amsterdam, 13 July 2015

### As Statutory Directors

Mark Wegter

Joep Muijters

Geraldine O'Keeffe

## Other information

### **Statutory regulations as to appropriation of profit**

According to Article 21 of the Articles of Association, profit as evidenced by the adopted financial statements shall be at the disposal of the General Meeting of Shareholders.

The company may only make payments from the distributable profit to the shareholders and other parties having a profit entitlement in so far as its shareholders' equity exceeds the value of the paid-in portion of the capital augmented by such reserves as required to be maintained, either by law or, in so far as applicable, pursuant to these Articles of Association.