NeuroSearch

Annual Report
2013

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To our shareholders and other stakeholders

Dear shareholder

The year 2013 was a quiet business year. After we acknowledged in 2012 that it would not be possible to procure future financing in the form of a capital injection or a partner agreement for our biggest asset, Huntexil® for the treatment of patients with Huntington's disease, we decided in the autumn of 2012 to take an unexpected opportunity to sell all the rights to the product to Teva Pharmaceuticals (Teva).

At the same time, we also decided to begin a controlled disposal of some of our remaining assets, while concurrently exploring the potential of a merger or a similar solution.

The agreement with Teva comprised a total purchase price of DKK 149.5 million, of which approximately DKK 29 million was deposited in an escrow account pending completion of the transfer of Huntexil® in accordance with the agreement. The transfer was completed to Teva's full satisfaction thanks to the targeted and dedicated efforts of the employees involved, and the escrow account was released in April 2013. If Teva can successfully commercialise Huntexil in the US and Europe, NeuroSearch will receive milestone payments of up to DKK 55 million.

Among the other remaining assets to be sold were our domicile property at Ballerup with office and laboratory equipment, our investments in the two subsidiaries NsGene A/S and Atonomics A/S, and our remaining projects in clinical development, which we did not have funds to continue, including tesofensine, seridopidine and ordopidine. In the course of 2012 and 2013, the rest of our extensive patent portfolio was licensed on commercial terms to small biotech companies with a view to potential further financing and progress. Finally, NeuroSearch has accumulated tax losses carried forward over its lifetime which a potential buyer of the Company may use to offset against operating profits from new activities.

The domicile property and the related land at Ballerup were sold on a conditional contract in March 2013. The potential buyer later cancelled the contract. However, we succeeded in finding a new buyer for the property, and we announced in May that the property had been finally and unconditionally sold. The proceeds from this sale enabled us to repay all our external debts.

The Danish Business Authority has conducted a review of the Company's Annual Report for the financial year 2012 and has in a draft decision stated that the Company must change its presentation of the proceeds from the sale of Huntexil® for a total of DKK 149.5 million. The Company disagrees with the Danish Business Authority's decision. Reference is made to the additional discussion of this issue in the financial review and the notes to the Financial Statements, from which it appears, among other things, that any restatement of the Annual Report would have no impact on profit, equity or cash flows.

The Management and Board of Directors have made considerable efforts to sell our remaining assets or the Company as a whole, but so far without success.

This is partly due to the fact that the Company was charged in July 2013 by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an incident in the spring of 2010. The charge against the Company is for share price manipulation, which the Company denies. Court proceedings are set to begin in May 2014.

Until a final judgment is available in this case, NeuroSearch does not expect any sale or merger of the Company as the consequences of a judgment will be largely unknown to a potential buyer or merger partner. For the same reason, the Company is unable to declare any dividend or file for liquidation of the Company. However, the Company may still seek to sell certain individual assets.

For this reason, we continue to operate the Company at the lowest possible cost.

At the beginning of 2013, we had 26 employees. At the end of 2013, we had two employees and a Board of Directors consisting of three members, as the last employee representative on the Board left the Company at the end of November.

The now former CEO, the rest of the day-to-day management and the employees have made highly committed, dedicated and loyal efforts during the year. This is not something that could merely have been taken for granted, given the situation where everyone knew that they were either under termination or would soon be terminated. Not least, the extensive and important work to transfer Huntexil® to Teva was carried out in a commendable, efficient and precise manner, and the composition, structuring and filing of documentation on the remaining projects were carried out in a competent and dedicated manner.

Against this background, I would like to express my sincere thanks to the Management and our employees, including our now former employees, for the great work they did during the year. Fortunately, the large majority of the employees who have had to leave NeuroSearch have found employment elsewhere.

Allan Andersen

CEO

Financial Highlights

Financial highlights for the Group (DKK million)*					
Income statement and comprehensive income******	**2009**	**2010**	**2011**	**2012**	**2013**
Revenue	84.6	-	-	120.7	28.8
Research cost	217.0	-	-	-	-
Development cost	184.6	144.4	259.1	457.2	21.7
General and administrative cost	38.8	23.2	123.4	(46.7)	16.7
Operating profit/(loss)	(355.8)	(167.6)	(382.5)	(289.8)	(9.6)
Net financials	24.6	21.8	33.5	(37.2)	5.1
Profit/(loss) of continuing operations before tax	(331.2)	(145.8)	(349.1)	(327.1)	(4.5)
Net profit/(loss) of discontinued operations	-	(160.4)	(329.3)	57.4	15.6
Profit/(loss) for the period	**(287.1)**	**(259.0)**	**(678.4)**	**(275.6)**	**12.4**
Comprehensive income	(276.9)	(216.7)	(694.8)	(243.5)	6.6
Balance sheet					
Total assets	1,630.0	1,391.5	840.8	207.5	92.2
Cash and cash equivalents and securities	808.5	480.6	220.6	81.4	88.8
Equity	1,173.8	994.1	320.6	81.1	88.0
Investments					
Investments in property, plants and equipment	19.8	10.8	3.6	-	-
Per share ratios (DKK)**					
Earnings per share	(16.39)	(10.56)	(27.63)	(11.22)	0.50
Diluted earnings per share	(16.39)	(10.56)	(27.63)	(11.22)	0.50
Net asset value	48.15	40.49	13.06	3.30	3.58
Market price at year-end	77.0	95.0	17.7	3.74	3.10
Market price/net asset value	1.60	2.35	1.36	1.13	0.87
Average number of employees	235	235	222	88	18
Number of employees at 31 December	226	243	189	26	2

* *Only the comparative figures for 2010 and 2011 have been restated to reflect the continuing operations. It has not been possible to make the same split between continuing and discontinued operations for years prior to 2010 as the Company has only had more than one organisational segment since 2011.*

** *The ratios are stated in accordance with "Recommendations and Financial Ratios" issued by the Danish Society of Financial Analysts.*

*** *Comprehensive income includes unrealised currency translation adjustment and fair value adjustment of the hedge of the net investment in NeuroSearch Sweden AB.*

**** *See the section on financial statements review dispute on page 11 concerning classification of the proceeds from the sale of the Huntexil® as revenue.*

Assets in NeuroSearch

NeuroSearch neither carries out research nor development of the Company's drug candidates. The most important assets and license agreements still present in NeuroSearch are listed below.

Projects

Product	Indication	Mechanism	Clinical phase
Tesofensine	Obesity	Monoamine reuptake inhibitor	Phase II completed
Seridopidine	CNS disease	Dopaminergic stabiliser	Phase I completed
Ordopidine	CNS disease	Dopaminergic stabiliser	Phase I completed

Agreements

Agreements	Value and conditions
Teva	NeuroSearch is entitled to: • Milestone payments up to DKK 55.1 million distributed as follows: to be received upon first registration application for Huntexil® DKK 22 million, to be received upon marketing approval inside the EU/EFTA DKK 16.5 million, and to be received upon marketing approval outside the EU/EFTA DKK 16.5 million.
Aniona ApS	NeuroSearch is entitled to: • Part of any future milestone payments from Janssen to Aniona • Royalties from any future revenues from the clinical programmes NSD-788 and NSD-721 • A one-off payment upon any initiation of first clinical trial with any other projects transferred from NeuroSearch • Repayment in whole or in part of loan of EUR 340,000 (DKK 2.5 million) granted by NeuroSearch in connection with the transfer agreement entered into with Aniona in 2012, to cover operations in Aniona.

Investments in other companies

	Ownership
Associated company	
NsGene	NeuroSearch holds 26.8% of the shares in NsGene
Available-for-sale financial asset	
Atonomics	NeuroSearch holds 17.4% of the shares in Atonomics

Shareholder information

NeuroSearch is listed at NASDAQ OMX Copenhagen A/S under securities identification code 1022466 (NEUR) and is included in the SmallCap segment.

Share price and market cap performance in 2013

On 30 December 2013, the closing price of the NeuroSearch share was DKK 3.10, compared with a year-end closing price of DKK 3.74 in 2012, equivalent to a 17% decrease.

Turnover

In 2013, the turnover of NeuroSearch shares totalled DKK 61 million, equivalent to an average daily turnover of DKK 245 thousand. A total of approximately 16 million shares were traded (66%) during the year. I 2012, total turnover in the share was DKK 153 million corresponding to a daily turnover of DKK 615 thousand and a total number of shares traded of approximately 22 million (90%).

Latest share price and market capitalisation

On 22 January 2014, the closing price of the NeuroSearch shares was DKK 3.63, equivalent to a capitalisation of NeuroSearch of DKK 89 million.

Ownership structure

On 30 December 2013, NeuroSearch had 18,730 registered shareholders who held a total of 18,904,285 shares. This corresponds to 77% of the total outstanding share capital being registered in the Company's register of shareholders. In 2013, the number of registered NeuroSearch shareholders decreased by 2,859, but at the same time the registered share capital increased by 359,505 shares from 18,545,780 shares end of 2012.

The Company's shares are bearer securities, and thus no exact registration of the holders exists.

The following investors have notified NeuroSearch that they hold more than **10%** of the shares in the Company:

- **Porter Orlin LLC**, 666 5th Avenue # 3403, New York, NY 10103-3402, USA

The following investors have notified NeuroSearch that they hold more than **5%** of the shares in the Company:

- **Glaxo Group Limited**, Berkeley Ave., Greenford, Middlesex, UB6 0NN, United Kingdom
- **ATP**, Kongens Vænge 2, DK-3400 Hillerød, Denmark
- **Luxor Capital Group**, LP, 1114 Avenue of the Americas, 29th Floor, New York, NY 10036, USA

NeuroSearch will not pay dividends for 2013.

Financial calendar for 2014
The Annual General Meeting will be held on Wednesday, 26 March 2014 at 4 pm (local time) at PricewaterhouseCoopers, Strandvejen 44, 2900 Hellerup, Copenhagen, Denmark.

Financial reporting for 2014
In view of the size of the Company, the Board of Directors has resolved that the Company will no longer issue Q1 and Q3 interim reports. Status announcements will be issued instead.

26 March 2014
Annual General Meeting

30 April 2014
Status announcement for Q1 2014

28 August 2014
Interim report for H1 2014

13 November 2014
Status announcement for Q1-Q3 2014

In-house rules
The Board of Directors, Management and all other employees of NeuroSearch are subject to the Company's in-house stock exchange rules of ethics for trading in the Company's shares and treatment of inside information. NeuroSearch has established a system for monitoring in-house trading in company shares.

As a Danish public company, our communications must comply with the rules and regulations set out in the Danish Securities Trading Act and in the Rules for Issuers of Shares on NASDAQ OMX Copenhagen. Thus, our most important communications tools are company announcements and press releases issued via the NASDAQ OMX Copenhagen distribution service. Following public release, all news releases are posted on our website. Further, direct contact and dialogue with all investor market stakeholders are very important.

Website
Our corporate website (www.neurosearch.com) is updated regularly so that our shareholders and other stakeholders can get an overview of the status and prospects for the Company as a whole.

News service by email
We invite all shareholders and other stakeholders to register for our email service in order to automatically receive all company announcements and press releases directly by email.

You can register for our email service directly at www.neurosearch.com.

Risk management and internal control

NeuroSearch's risk management activities reflect the fact that the Company no longer actively conducts research in or develops pharmaceuticals. Consequently, a large number of risks that were previously relevant to the Company – namely development and commercial risks – are no longer relevant.

Financial risks
The financial risks are assessed regularly by the Company's Management and are included in reporting to the Board of Directors. Cash and treasury management are considered important.

The Board of Directors has adopted guidelines for the management of the Company's cash and cash equivalents, including securities. This treasury policy describes, among other things, in which securities investments can be made and that the investments must be handled and managed by investment departments of leading Danish banks. Furthermore, the treasury policy provides guidelines on the use of financial instruments. The Board of Directors reviews the document at least once a year to ensure that the guidelines are sound and in line with the Company's operations.

In July 2013, the Company was charged by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an incident in the spring of 2010. The charge against the Company is for share price manipulation, which the Company denies. If judgment should be passed against the Company, it could result in the Company being fined. As there is no relevant case law, it is difficult to estimate the amount of a potential fine. Management considers it unlikely that judgment will be passed against the Company in the matter, and this combined with of the uncertainty with respect to the amount of a fine, if any, no liability has been recognised in the Financial Statements for 2013. Court proceedings are set to begin in May 2014.

Capital resources
Upon the final transfer of the Huntexil® project to Teva, NeuroSearch's cash position was further improved, and the Company's debts have subsequently been repaid. The Board of Directors believes that the Company's capital resources will be sufficient to meet all currently known liabilities.

Management of selected risk areas

Compliance with regulatory requirements
In the course of 2013, NeuroSearch informed the Danish Health and Medicines Authority that its quality assurance system and similar systems related to drug development (GXP) have been cancelled.

Securing the Company's operations and assets
NeuroSearch has taken out insurance to cover both any operating losses, losses due to claims in connection with clinical studies and loss of assets in connection with fire, theft or the like. All insurances are handled by an external insurance broker who reports at least once a year as to whether the Company's insurance cover is considered to be sufficient and reasonable.

Main elements of internal control and risk management systems in relation to the financial reporting process in NeuroSearch
NeuroSearch has elected to publish the main elements of its internal control and risk management systems on the Company's website (www.neurosearch.com/Default.aspx?ID=8247). In addition, NeuroSearch has elected to publish the statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act, on its website.

Corporate social responsibility (CSR)

The year 2013 was a year marked by the focus on winding up the operating activities of NeuroSearch and of saying goodbye to the majority of our employees. In 2012, we cancelled our participation in the UN Global Compact, and we no longer meet the objective of filing a Communications On Progress (COP) report. Therefore, we report solely in the actual Annual Report.

NeuroSearch's Board of Directors has decided that, given the current circumstances, it does not make sense to define additional targets for changing the gender distribution for the Board of Directors and Management. The Board of Directors consists of three members elected by the shareholders, of whom the Chairman is female. The Company has two employees: a male CEO and a female CFO.

In view of its size and current activities, NeuroSearch no longer has:

- A policy for corporate social responsibility
- A policy for respecting human rights
- A policy for reducing the climate impact from the Company's activities

In connection with the latest reduction of staff, it was a goal to treat all employees fairly and respectfully. We are pleased that a large number of the employees terminated found employment elsewhere before they left us.

Working environment

The physical working environment has been simplified in step with the reduction of activities in NeuroSearch. After the sale of the domicile property, the address was changed to an office partnership from where the remaining administration is handled.

No working environment surveys were made in 2013 because of the Company's size and current situation.

Financial review

The Annual Report 2013 includes the Consolidated Financial Statements of NeuroSearch A/S, comprising the parent company and the three wholly-owned subsidiaries NeuroSearch Sweden AB, Poseidon Pharmaceuticals A/S and NsExplorer A/S.

Financial statements review dispute

NeuroSearch sold its former development project Huntexil® to Teva in 2012 for a total consideration of DKK 150 million, of which DKK 121 million was recognised and presented as revenue in 2012, while the remaining part of the consideration, DKK 29 million, was released in 2013 and recognised correspondingly.

The Danish Business Authority has reviewed our Annual Report for the financial year 2012, and the Authority has in a draft decision stated that it was a misstatement to classify the proceeds from the sale of the Huntexil® project as revenue. The Danish Business Authority has stated that the proceeds must be classified as profit on the sale of an intangible asset.

Management believes that the proceeds have been accounted for correctly within the framework of IFRS, as the classification as revenue best reflects the Company's ability to generate income as part of its ordinary operating activity.

The Danish Business Authority is expected to present the case to the Danish Financial Council, by mid-February 2014, after which the Danish Business Authority will make a decision.

The Annual Report has been prepared and adopted under the assumption that the decision turns out in NeuroSearch's favour. The sale of the Huntexil® project has consequently not been reclassified in the Annual Report for 2013 as a material misstatement in the Annual Report for 2012, and the amount recognised in 2013 has also been recognised in revenue.

It is expected that a final decision will have been made prior to our Annual General Meeting in March 2014 when the Annual Report is to be approved. If the decision goes against the Company, the Annual Report will be restated accordingly.

Any such restatement will not have any impact on profit, equity or cash flows. It will solely be a reclassification of the sale of the Huntexil® project from revenue to other operating income in 2012 and 2013.

Liquidity and capital resources

As at 31 December 2013, cash and cash equivalents totalled DKK 89 million. Furthermore, NeuroSearch is entitled to potential milestone payments from Teva of up to DKK 55.1 million distributed as follows:

- First registration application for Huntexil® — DKK 22.0 million
- First marketing approval of Huntexil® inside the EU or EFTA — DKK 16.5 million
- First marketing approval of Huntexil® outside the EU or EFTA — DKK 16.5 million

Income statement

In 2013, the Group posted an operating loss on continuing operations of DKK 10 million (2012: DKK 290 million). This was in line with our previously announced expectations of an operating loss in the region of DKK 10 million.

NeuroSearch posted an after tax loss on continuing operations of DKK 3 million (2012: DKK 333 million).

Consolidated profit was DKK 12 million (2012: a loss of DKK 276 million).

Revenue
In 2013, the Group generated revenue of DKK 29 million (2012: DKK 121 million) from the sale of the Huntexil® project to Teva.

Costs
Consolidated costs totalled DKK 38 million (2012: DKK 411 million) of which development costs totalled DKK 22 million (2012: DKK 457 million). In 2012, the development costs were primarily attributable to the Huntexil® development programme, and a one-off cost of DKK 386 million with no cash effect regarding the impairment of Huntexil® and contingent payments to the sellers of Carlsson Research. Development costs in 2013 primarily include salaries and a portion of the fixed costs.

General and administrative costs totalled DKK 17 million (2012: a net income of DKK 47 million). The income in 2012 was related to a reversal of part of the impairment charge of DKK 59 million made in 2011. General and administrative costs for 2013 primarily comprised payroll costs and a proportionate share of overheads.

Net financials
Financials amounted to net income of DKK 5 million (2012: net income of DKK 37 million). This income consisted of financial income of DKK 7 million in 2013 (2012: DKK 4 million), of which DKK 600 thousand was other interest income and DKK 6 million was currency translation adjustment and financial expense of DKK 2 million (2012: DKK 40 million), which was other interest expense.

The NeuroSearch Group's shares of results of the associated NsGene A/S are recognised in the income statement at a total loss of DKK 0 million (2012: DKK 1 million).

Income taxes
As of 31 December 2013, the Group had tax losses carried forward totalling approximately DKK 1,800 million which can be carried forward indefinitely. In addition, the Group had deductible temporary differences (net) of approximately DKK 473 million, totalling approximately DKK 2,273 million. The carrying amount of unrecognised potential deferred tax assets was approximately DKK 500 million for the Group at a tax rate of 22% (2012: DKK 518 million at a tax rate of 25%).

Discontinued operations
Discontinued operations produced a profit of DKK 16 million (2012: a loss of DKK 57 million). The income was primarily related to the sale of laboratory equipment and office equipment in the first half of 2013 and a minor reversal of the previous provision for discontinued operations of approximately DKK 2 million.

Allocation of profit/loss
It is proposed that the year's consolidated income of DKK 12 million be transferred to retained earnings.

Balance sheet
The balance sheet stood at DKK 92 million at 31 December 2013 (2012: DKK 208 million).

On 6 May 2013, NeuroSearch signed an agreement with PKA for the sale of the Company's land and buildings with 1 July 2013 as the date of takeover and for a cash consideration of DKK 112.50 million. Available-for-sale property, plant and equipment stood at DKK 111 million at year-end 2012, equivalent to the purchase price less costs relating to the sale.

Cash and cash equivalents totalled DKK 89 million at 31 December 2013 (2012: DKK 81 million).

All mortgage debt was repaid in connection with the sale of the property at 1 July 2013. The mortgage debt was DKK 102 million at 31 December 2012.

Statement of cash flows
The cash flow from operating activities amounted to a cash outflow of DKK 18 million in 2013 compared to a cash outflow in 2012 of DKK 56 million. The low cash outflow in 2013 included a cash inflow of DKK 29 million from the sale of the Huntexil® project to Teva in connection with the release of the escrow account in April 2013.

The cash flow from investing activities was DKK 144 million in 2013 (2012: DKK 167 million) and derived from sale of securities of DKK 21 million, sale of fixed assets of DKK 11 million and finally sale of the Company's land and buildings of DKK 112 million.

The cash flow from financing activities was a cash outflow of DKK 97 million in 2013 (2012: DKK 84 million). In 2013, mortgage debt was prepaid and paid out in full in the amount of DKK 102 million.

Cash and cash equivalents thereafter amounted to DKK 89 million at 31 December 2013 (2012: DKK 60 million), and securities stood at DKK 0 million (2012: DKK 21 million), a total of DKK 89 million (2012: DKK 81 million).

Statement of movements in equity

Equity was increased by the consolidated income for the year of DKK 12 million. Equity stood at DKK 88 million at 31 December 2013 (2012: DKK 81 million).

Financial risks

For further details, please see the discussion under “Risk management and internal control” and information on financial risks stated in note 23.

Related parties

Related parties comprise the members of the Company’s Executive Management, the Board of Directors, subsidiaries and the associated company NsGene A/S. In addition, Kromann Reumert is considered a related party as Christian Lundgren, who is a member of our Board of Directors, is a partner in the law firm.

Outlook for 2014

In 2014, NeuroSearch expects an operating loss of approximately DKK 10 million. This does not include any loss or profit arising out of a potential sale of NeuroSearch's remaining assets.

NeuroSearch will provide an update of its outlook no later than on 26 March 2014 when the Annual General Meeting will be held.

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Board of Directors

Karin Garre

Danish citizen, born 1957
Position: Executive Head, Psychiatric Centre of Copenhagen

Member of the Board of Directors since December 2013 and Chairman of the Board of Directors since December 2013. Karin Garre is considered an independent Board member in accordance with the corporate governance recommendations.
Special competencies: Karin Garre is a Medical Doctor and has more than 25 years of wide executive experience from the pharmaceutical industry and experience from board membership, including from StemCare A/S and LTC A/S. Karin Garre has previously held positions as Chief Development Officer and Executive Vicepresident in NeuroSearch A/S.

Allan Andersen

Danish citizen, born 1945
Position: CEO, AA Consult ApS

Member of the Board of Directors since May 1989, Chairman of the Board of Directors since January 2013 until December 2013. Allan Andersen is not considered an independent Board member in accordance with the corporate governance recommendations as he has been a member of the Board of Directors for more than 12 years.
CEO of NeuroSearch A/S since 1 December 2013, Chairman of the Board of Directors of Nordicom A/S, member of the Board of Directors of NsGene A/S, Executive Director of AA Consult ApS, Executive Director of Allan Consulting EOOD, Executive Director of AA Construction EOOD and Executive Director of Jeravna Development OOD.
Special competencies: Allan Andersen holds more than 30 years of broad experience from different company boards and has extensive financial knowledge as well as shareholder experience from the biotech industry.

Christian Lundgren

Danish citizen, born 1966
Position: Attorney-at-law and Partner at the law firm of Kromann Reumert

Member of the Board of Directors since January 2013. Christian Lundgren is not considered an independent Board member in accordance with the corporate governance recommendations as he and Kromann Reumert are regularly engaged as the Company's lawyer.
Member of the Board of Directors of Det Nissenske Familierfond.
Special competencies: Christian Lundgren holds many years of experience within counselling, restructuring and other transactions relating to listed companies and has intensive knowledge of the biotech industry.

Executive Management

Allan Andersen

CEO
(Born 1945, member of the Executive Management since 2013)

(see directorships under Board of Directors)

Management structure

Corporate governance

Pursuant to the rules of NASDAQ OMX Copenhagen A/S, listed companies must state their position relative to the most recently updated "Corporate Governance Recommendations 2013". This must be done applying the "comply or explain" principle. In accordance with section 107 b of the Danish Financial Statements Act, NeuroSearch has prepared a statutory report on corporate governance which is available in full at the Company's website (www.neurosearch.com/Default.aspx?ID=8477).

Board of Directors

All members of the Board of Directors elected by the shareholders at the Annual General Meeting are elected for terms of one year, whereas employee elected members are elected for four-year terms. The latest employee election was held ahead of the Annual General Meeting 2012.

Seventeen Board meetings were held during 2013. The Board performs its duties in accordance with a written set of rules of procedure. The rules of procedure include rules on the allocation of powers and duties between the Board of Directors and the Executive Management and on minute books, the register of shareholders and other protocols.

Remuneration

Members of the Board of Directors of NeuroSearch receive a fixed fee. The fee is fixed according to the standards in the market and reflects demands to their competencies and efforts in light of the scope of their work and the number of Board meetings.

The Chairman's fee in respect of 2013 was DKK 500,000, and fees paid to each of the ordinary members amounted to DKK 250,000, equivalent to a total of DKK 1.4 million.
The number of employee-elected members of the Board of Directors was reduced from two to none at the end of 2013. They have all received a proportionate share of the remuneration for their work on the Board of Directors.

The Board of Directors does not receive any other remuneration from NeuroSearch than the fixed remuneration, except from Allan Andersen, who is CEO and receives remuneration as such. Christian Lundgren is a partner of Kromann Reumert, which regularly receives consulting fees from the Company and therefore is considered a related party to NeuroSearch. For information on remuneration to the Board of Directors as a related party, reference is made to note 21 to the Consolidated Financial Statements.

For information regarding the number of NeuroSearch shares and warrants held by the Board of Directors, see note 3 to the Consolidated Financial Statements.

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
Denmark

Legal advisers

Kromann Reumert
Sundkrogsgade 5
DK-2100 København Ø
Denmark

Bank

Nordea Bank Danmark A/S
Strandgade 3
Postboks 850
DK-0900 Copenhagen C
Denmark

Management's statement

The Board of Directors and Executive Management today considered and adopted the Annual Report of NeuroSearch A/S for the financial year 1 January - 31 December 2013.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Financial Statements are prepared in accordance with additional Danish disclosure requirements for listed companies. Management's Review is also prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the assets, liabilities and financial position at 31 December 2013 of the Group and the Company and of the results of the Group and the Company operations and consolidated cash flows for the financial year 1 January - 31 December 2013.

In our opinion, Management's Review includes a true and fair account of developments in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Hellerup, 23 January 2014

Executive Management

Allan Andersen
CEO

Board of Directors

Karin Garre
Chairman

Christian Lundgren

Allan Andersen

Independent auditor's reports

To the Shareholders of NeuroSearch A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of NeuroSearch A/S for the financial year 1 January to 31 December 2013, page 18-54, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group and the Parent Company as well as statement of total recognised income and expenses and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and prepare a Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies. Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company 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 and the Parent Company 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 and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Company's operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Hellerup, 23 January 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Brian Christiansen
State State Authorised Public
Accountant

Thomas Lauritsen
State Autorised Public
Accountant

NeuroSearch Consolidated Financial Statements

Accounting policies

for the period 1 January – 31 December

The accounting policies applied in the preparation of the Consolidated Financial Statements are set out below. The accounting policies are unchanged from previous years.

The Danish Business Authority has reviewed our Annual Report for the financial year 2012, and the Authority has in a draft decision stated that it was a misstatement to classify the proceeds from the sale of Huntexil® as revenue. The Danish Business Authority has stated that the proceeds must be classified as profit on the sale of an intangible asset. The Danish Business Authority is expected to present the case to the Danish Financial Council by mid-February 2014, after which the Danish Business Authority will make a decision. The accounting policies are unchanged, assuming that the decision will turn out in favour of the Company. If the decision goes against the Company, the accounting policies must be adjusted accordingly. Any such adjustment will not have any impact on profit, equity or cash flows, as it will solely be a reclassification of the sale of Huntexil® from revenue to other operating income in 2012 and 2013. It is expected that a decision will have been made before the Annual Report is to be approved at the Annual General Meeting.

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. Additional Danish disclosure requirements for the presentation of financial statements are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act and by NASDAQ OMX Copenhagen A/S.

The Financial Statements of the parent company, NeuroSearch A/S, are presented in accordance with the provisions of the Danish Financial Statements Act. The Financial Statements are presented on pages 45-54, and the accounting policies are described on page 46.

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 1.

The Consolidated Financial Statements are presented in DKK, which is also the functional currency of the parent company.

Adoption of new standards

In the Annual Report 2013, NeuroSearch has applied all new and amended standards and interpretations that have come into force and been adopted by the EU with effect for the current financial year.

The standards and interpretations applied are the following – only relevant standards are mentioned:

Amendment to IAS 1 "Presentation of financial statements"
Items included in other comprehensive income must be presented broken down into subtotals for those items that may be recycled to profit or loss and items not to be recycled.

Amendment of IFRS 7 "Financial Instruments: Disclosures"
Entails changes to the presentation of offset of financial assets and liabilities.

IFRS 10 "Consolidated financial statements"
The existing definition of control in IAS 27 has been adjusted, and more guidance has been introduced to determine whether a reporting entity controls another entity.

IFRS 12 "Disclosures of interests in other entities"
Extended disclosure requirements regarding interests in subsidiaries, associates and other interests.

IFRS 13 "Fair value measurement"
IFRS 13 provides general guidance on how to measure fair values and replaces the specific guidance included in a number of standards.

Annual improvements (2009-2011)
This includes minor changes to a number of existing standards, among others clarification of requirements regarding comparative financial information.
The implementation of the new and amended standards has not affected recognition or measurement.

In addition, the IASB has issued the following amendments to standards and new interpretations that have not yet been adopted by the EU. Only standards relevant to NeuroSearch are mentioned:

Amendment to IAS 36 "Impairment of assets"
The amendment involves roll-back of a 2013 requirement of when to disclose the recoverable amount of assets or cash-generating units and a specification of which disclosures must be made.

IFRS 9 "Measurement and classification of financial assets and financial liabilities"
The number of categories for financial assets has been reduced to two: amortised cost or fair value.

Management will evaluate their impact on the accounting policies applied when the amendments have been adopted by the EU.

In addition, the IASB has issued the following amendments to standards and new interpretations which have been adopted by the EU, but which have not yet come into force; only standards relevant to NeuroSearch are mentioned:

IAS 32 "Financial instruments – presentation"
The amendment provides additional guidance on when financial assets and liabilities must be presented as offset.

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are continuously exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

They are deconsolidated from the date that control ceases.

The Consolidated Financial Statements are prepared by adding the audited financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the Group's accounting policies. On consolidation, intercompany income and expenses, shareholdings, balances, dividends and unrealised intercompany gains and losses are eliminated.

All subsidiaries are consolidated:

- NeuroSearch Sweden AB
- Poseidon Pharmaceuticals A/S
- NsExplorer A/S

Business combinations
Newly acquired or newly established companies are recognised in the Consolidated Financial Statements from the date of acquisition. Comparative figures are not adjusted to reflect acquisitions.

The purchase method is applied for acquisitions if NeuroSearch A/S gains control of the company acquired. Identifiable assets, liabilities and contingent liabilities in companies acquired are measured at the fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

The date of acquisition is the date on which control of the acquired company actually passes to NeuroSearch A/S.
For business combinations, any excess (goodwill) of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units which will subsequently form the basis for future impairment tests. Any goodwill arising and any fair value adjustments made on the acquisition of a foreign entity whose functional currency is not the same as the Group's presentation currency are treated as assets and liabilities of the foreign entity and translated to the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the acquisition date.

If the measurement of acquired identifiable assets, liabilities and contingent liabilities is subject to uncertainty at the time of acquisition, initial recognition will be made on the basis of a preliminary calculation of fair values. If it later turns out that the identifiable assets, liabilities and contingent liabilities had a different fair value at the time of acquisition than that originally assumed, goodwill will be adjusted until 12 months after the acquisition. The effect of the adjustments will be recognised in the opening shareholders' equity, and the comparative figures will be restated accordingly. Henceforth, goodwill will be adjusted only to reflect changes in estimates of contingent consideration, apart from material errors. However, where the acquired company's deferred tax assets not recognised at the date of acquisition are subsequently realised, the tax benefit is recognised in the income statement and the carrying amount of goodwill will concurrently be written down to such amount as would have been recognised had the deferred tax asset been recognised as an identifiable asset at the date of acquisition.

If part of the consideration is contingent on future events, such part is recognised at cost if payment is probable. Subsequent adjustments to the estimate of the amount of contingent consideration are recognised as an adjustment of goodwill.

For acquisitions made in financial years beginning on or after 1 July 2009, the cost of an operation is determined as the fair value of the agreed consideration. If part of the consideration is contingent on future events, such part of the consideration are included in cost at fair value. Acquisition costs are expensed in the period in which they are incurred. Subsequent adjustments to the estimate of the amount of contingent consideration is recognised in the income statement.

Any gains or losses on the disposal of subsidiaries and associates are stated as the difference between the sales or disposal amount and the carrying amount of net assets, including goodwill, at the date of disposal plus anticipated disposal costs.

Segment reporting
The Group is managed as a single business unit. The internal management and reporting structure comprises only one business unit, and the Group therefore has only one operating segment, for which reason no segment information is provided.

Discontinued operations
Net profit after taxation of discontinued operations divested pursuant to a comprehensive plan or closed is presented in one line after profit/(loss) from continuing operations. Write-downs related to assets of the discontinued operations are included in the item.

Foreign currency translation
For each of the reporting companies in the Group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognised in the income statement under financial income or financial expense.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date when the receivable or payable arose, or the exchange rate applied in the most recent annual report, is recognised in the income statement under financial income or financial expense.

On consolidation of companies with functional currencies other than DKK, the income statements are translated at the exchange rates ruling at the transaction date and the balance sheets are translated at the exchange rates ruling at the balance sheet date. The average exchange rate for each individual month is used as the transaction date, provided this does not give a much different view. Exchange differences arising on the translation of the opening equity of such companies at the exchange rates ruling at the balance sheet date and on the translation of the income statements from the exchange rates ruling at the transaction date to the exchange rates ruling at the balance sheet date are included in other comprehensive income and classified as a separate equity reserve for currency translation.

Foreign exchange adjustment of balances that are considered as part of the overall net investment in companies with functional currencies other than DKK are recognised directly in equity in the Consolidated Financial Statements in a separate reserve for currency translation. Similarly, exchange gains and losses on the part of loans and derivative financial instruments effectively hedging the net investment in such companies and which effectively hedge against corresponding exchange gains/losses on the net investment in the companies are recognised in other comprehensive income and classified in a separate reserve for currency translation.

On full or partial divestment of foreign entities or on repayment of balances that are considered to be part of the net investment, the attributable part of the accumulated exchange rate adjustments recognised in other comprehensive income is recognised in the income statement together with any gain or loss on the divestment.

Derivative financial instruments
The Group uses derivative financial instruments to hedge expected transactions. When a contract is entered into, the Group designates each derivative financial instrument that meets the conditions of IAS 39 as a hedge of a specific hedged item.

All contracts are measured at fair value at the balance sheet date. Positive and negative fair values are included in other receivables and other payables respectively. The fair values are calculated on the basis of current market data and recognised valuation methods.

Value adjustments of derivative financial instruments designated as hedges of expected transactions are recognised directly in other comprehensive income if the hedge is effective. Accumulated value adjustments of these contracts are reclassified from equity to financial income/expense in the income statement when the hedged transaction has been recognised in the income statement.

Contracts that do not qualify for hedge accounting are similarly measured at fair value. Such contracts are included in the line item "Other financial assets at fair value through profit or loss" under financial income/expense.

The Group does not use derivative financial instruments to hedge the fair value of a recognised asset or a recognised liability.

Income tax and deferred tax

Tax on income for the year, consisting of the year's current tax and deferred tax, is recognised in the income statement to the extent that it relates to the income or loss for the year and in other comprehensive income or equity to the extent that it relates thereto. Current tax liabilities are recognised in the balance sheet as short-term liabilities to the extent such items have not been paid. If the tax paid during the year exceeds current tax for the year and prior years, the amount expected to be repaid is recognised in the balance sheet under receivables. Current tax includes tax payable based on the year's expected taxable income and any adjustments of prior year tax charged to the income statement.

Deferred tax is calculated on all temporary differences between accounting and tax values. Deferred taxes are measured according to current tax rules and at the tax rates expected to be in force on the elimination of the temporary differences. Deferred tax arising on tax-deductible temporary differences (tax assets) is included in the balance sheet only if there is reasonable certainty that the tax assets can be set off by NeuroSearch A/S against future taxable income. The amounts of tax-deductible temporary differences which are not capitalised are disclosed in a note to the Financial Statements.

NeuroSearch A/S is jointly taxed with its Danish Group companies. The jointly taxable income is stated as the sum of the individual results of the Group companies after deduction of loss carry-forwards, as separate losses from previous assessment years may only be deducted and carried forward in the individual company. In case of carry-forwards, the oldest losses must be set off first.

If the jointly taxable income is positive, the profit is distributed proportionately between the profit-making companies. If the jointly taxable income is negative, the loss is distributed proportionately between the loss-making companies and carried forward in the company in question for set-off in subsequent years.

Share-based payment (warrants)

NeuroSearch has established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants or shares are recognised as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognised over the vesting period corresponds to the fair value of the warrants or shares that actually vest. The fair value is determined at the grant date and is not adjusted subsequently.

On each balance sheet date, NeuroSearch reassesses its estimates of the number of warrants expected to be exercised. NeuroSearch recognises any impact of such reassessment of the original estimates in the income statement (catch up) with a corresponding adjustment in equity over the remaining vesting period. Prior-year adjustments are recognised in the income statement in the adjustment year.

INCOME STATEMENT

Revenue recognition

Revenue consists of milestone payments and other income from research and development agreements. Revenue is recognised when it is probable that future economic benefits will flow to NeuroSearch and these benefits can be measured reliably.
Up-front payments that are attributable to subsequent research and/or development activities are recognised as deferred revenue and will subsequently be recognised as revenue over the expected contract period. Non-refundable up-front payments and milestone payments that are not attributable to subsequent research and/or development activities or other delivery obligations are recognised as revenue when the contracts are signed or when the milestone criteria are met respectively.

Public grants

The Group receives government grants to certain PhD students and research programmes. Government grants are recognised at the time when a final and firm right to the grant has been obtained. Grants related to costs incurred are set off against research costs. Conditional repayment obligations regarding the grants received are disclosed in a note to the Financial Statements as contingent liabilities to the extent that they are not expected to become unconditional.

Development costs

Development costs include salaries and costs relating to specific development programmes. A specific development programme is characterised by a single compound being tested in a number of studies to illustrate the physical-chemical properties, toxicology and effect in humans. Development costs are capitalised if it is sufficiently certain that the costs are recoverable.

General and administrative costs

General and administrative costs include salaries, other staff costs, office costs, etc., as well as depreciation.

Financials

Financial items comprise interest, financial expenses for finance leases, realised and unrealised currency translation adjustments and fair value adjustments of securities. Interest income and expenses are recognised in the income statement at the amounts relating to the relevant financial year.

BALANCE SHEET

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill in respect of the entity sold.

Development projects

Development projects acquired in connection with business combinations are measured at cost less accumulated depreciation and impairment.

After completion of the development work, development projects are amortised on a straight-line basis over their estimated useful economic lives from the time the asset is ready for use.
The amortisation period is expected to be 12 years. The basis of amortisation is reduced by any impairment write-downs.

Due to the very long development periods and significant uncertainty in connection with the development of new products, in-house development cost are generally not deemed to meet the requirements for capitalisation. The criteria for technical viability are not deemed to have been met until regulatory approval has been obtained. All in-house research and development costs are therefore recognised in the income statement as incurred.

Licences and patent rights
Licences and patent rights acquired for consideration are measured at cost.

Licences and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15-20 years), however, no longer than the licence agreement or patent period.

Available-for-sale property, plant and equipment
Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Property, plant and equipment
Land and buildings are measured at historic cost, in the case of buildings less accumulated depreciation and impairment losses. Plant and machinery and other plant and equipment are measured at purchase price less accumulated depreciation and impairment losses. Historic cost and purchase price include expenditure that is directly attributable to the acquisition of the asset, including loan costs for specific and general borrowings relating to the construction of property, plant and equipment.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment is depreciated on a straight-line basis over the useful economic lives of the assets to the expected residual values. The depreciation is based on an estimate of the useful economic lives for uniform categories of assets. The residual value is reassessed annually to the amount Management believes is recoverable for the asset on the balance sheet date if the asset was already so old and used as it will be at the time when the asset is expected to be sold. The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date. If the depreciation period or the residual value are changed, the effect on depreciation going forward is recognised as a change in accounting estimates.

The expected useful economic lives are as follows:

- Plant and machinery 5-10 years
- Other plant and equipment 5-10 years
- IT equipment 3-5 years

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is higher than the estimated recoverable amount as described below. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement as research, development and general and administrative costs respectively.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not amortised but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Investments in associates
Associates are entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognised at cost.

The Group’s investments in associates include goodwill (net of accumulated impairment losses) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition income and costs recognised in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial assets
Financial assets are recognised on the trading date – the date on which the Group commits to purchase or sell the asset.

The Group and the parent company classify their financial assets in the following categories:

- at fair value through profit or loss
- loans and receivables

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets on initial recognition and re-evaluates this designation at every reporting date.

Financial assets measured at fair value through profit or loss
Financial assets designated as measured at fair value through profit or loss on initial recognition are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Group investment strategy. The investments and returns thereon are included on this fair value basis in the management reporting. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. Marketable securities have been designated by Management as financial assets measured at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “Other receivables” in the balance sheet.

Receivables are recognised at amortised cost less impairment losses. On initial recognition, the fair value is deemed to correspond to amortised cost. An impairment loss is recorded on receivables when there is objective evidence that NeuroSearch will not be able to collect all amounts due according to the original terms of receivables. Significant difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income statement under research or development costs.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are stated as borrowings under current liabilities in the balance sheet.

Financial liabilities
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

Debt to mortgage and credit institutions is recognised at the time the loans are obtained and is initially measured at fair value, being the proceeds after deduction of transaction costs. In the subsequent periods, financial liabilities are recognised at amortised cost, calculated at the effective interest rate.

In addition, the capitalised residual lease liability under finance leases is recognised under financial liabilities.

Other liabilities including trade creditors, amounts owing to subsidiaries and associates and other debt are measured at amortised cost.

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared according to the indirect method based on net profit. The statement shows the Group’s cash flows broken down by operating, investing and financing activities and cash and cash equivalents at the end of the year. For the cash flow statement, cash flows from foreign subsidiaries are translated at average exchange rates for the year.

Cash flows from operating activities represent the net profit/(loss) adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities include cash flows from the purchase and sale of intangible assets, property, plant and equipment, long-term financial assets and marketable securities with original maturities of more than three months.

Cash flows from financing activities include cash flows from capital increases, the raising and repayment of long-term debt and financial items.

Statement of total recognised income and expenses

for the period 1 January – 31 December (DKK thousands)

Note	Income statement*	2013	2012
	Revenue	28,756	120,719
	Total revenue	**28,756**	**120,719**
2,3	Development costs	21,693	457,230
2,3	General and administrative costs	16,678	(46,668)
	Total costs	**38,371**	**410,562**
	Operating profit/(loss)	**(9,615)**	**(289,843)**
11	Share of profit/(loss) of associates	-	(1,129)
4	Financial income	7,460	4,377
5	Financial expense	2,322	40,491
	Total financials	**(5,138)**	**(37,243)**
	Profit/(loss) before taxes of continuing operations	**(4,477)**	**(327,086)**
6	Tax on profit/(loss) for the year of continuing operations	1,250	5,824
	Net profit/(loss) of continuing operations	**(3,227)**	**(332,910)**
7,2,3	Profit/(loss) of discontinued operations	15,585	57,355
	Net profit/(loss)	**12,358**	**(275,555)**
	Other comprehensive income:		
	Items which are transferred to the income statement under certain conditions:		
17	Fair value adjustment of hedging instruments	-	22,071
	Exchange adjustment of net investment in foreign subsidiary	(5,742)	10,926
	Fair value adjustment of hedge of net investment in foreign subsidiary	-	(919)
	Total other comprehensive income	**(5,742)**	**32,078**
	TOTAL COMPREHENSIVE INCOME	**6,616**	**(243,477)**
8	Earnings per share continuing operations, DKK	(0.13)	(13.56)
8	Diluted earnings per share continuing operations, DKK	(0.13)	(13.56)
8	Earnings per share for the year, DKK	0.50	(11.22)
8	Diluted earnings per share for the year, DKK	0.50	(11.22)

* See the discussion of the financial statements review dispute in the introductory paragraph in Accounting policies on page 19, and note 1 to the Financial Statements concerning the classification of the proceeds from the sale of Huntexil® as revenue.

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2013	2012
9	Development projects	-	-
9	Goodwill	-	-
10	Property, plant and equipment	-	-
11	Investments in associates	-	-
12	Available-for-sale investments in associates	-	-
	Total non-current assets	**0**	**0**
13	Available-for-sale property, plant and equipment	-	111,000
14	Other receivables	2,114	15,085
6	Income tax receivable	1,250	
15	Other financial assets at fair value through profit or loss	-	21,365
16	Cash and cash equivalents	88,845	60,066
	Total current assets	**92,209**	**207,516**
	TOTAL ASSETS	**92,209**	**207,516**

Note	EQUITY AND LIABILITIES	2013	2012
	Share capital	24,554	24,554
	Reserve for currency translation	16,234	21,976
17	Other reserves	-	-
	Retained earnings	47,162	34,522
	Total equity	**87,950**	**81,052**
19	Current portion of long-term debt	-	102,169
	Trade and other payables	1,156	10,274
	Other liabilities	3,103	6,285
	Provisions	-	7,736
	Total current liabilities	**4,259**	**126,464**
	Total liabilities	**4,259**	**126,464**
	TOTAL EQUITY AND LIABILITIES	**92,209**	**207,516**

1	Accounting estimates and judgments
18	Acquisition of subsidiaries and operations
20	Fees to auditors appointed at the Annual General Meeting
21	Related-party transactions
22	Contingent assets, contingent liabilities and commitments
23	Financial risks
25	Events after the balance sheet date

Statement of cash flow

for the period 1 January – 31 December (DKK thousands)

Note		2013	2012
	Net profit/(loss)	12,358	(275,555)
24	Adjustments	(23,640)	374,407
	Change in working capital		
	Net changes in receivables	12,971	33.557
	Net changes in current debt	(20,036)	(188,170)
	Cash flow from operating activities	**(18,347)**	**(55,761)**
10	Sale of property, plant and equipment	122,809	-
	Net change in securities (more than three months)	21,365	166,514
	Cash flow from investing activities	**144,174**	**166,514**
	Net proceeds from equity issues	-	2,799
	Repayment of other long-term borrowings	(102,169)	(53,733)
	Redemption of interest swap	-	(26,610)
	Financial payments received	7,460	3,776
	Financial payment paid	(2,322)	(10,327)
	Cash flow from financing activities	**(97,031)**	**(84,095)**
	Net cash flows	**28,796**	**26,658**
	Urealised gain/(loss) on securities	-	601
	Net increase/(decrease) in cash and cash equivalents	**28,796**	**27,259**
	Cash and cash equivalents at 1 January	60,066	32,761
	Foreign exchange adjustment of cash and cash equivalents	(17)	46
	Cash and cash equivalents at 31 December	**88,845**	**60,066**
16	Cash and cash equivalents at 31 December	88,845	60,066
15	Securities	-	21,365
	Cash and cash equivalents and securities at 31 December	**88,845**	**81,431**

Statement of movements in equity (DKK thousands)

	Share capital*	Share premium**	Reserve for currency translation	Other reserves***	Retained earnings	Total
Equity at 1 January 2012	**491,079**	**0**	**11,969**	**(22,071)**	**(160,345)**	**320,632**
Fair value adjustment of hedging instruments	-	-	-	22,071	-	22,071
Foreign exchange adjustment of net investment in foreign subsidiary	-	-	10,926	-	-	10,926
Fair value adjustment of hedge of net investment in foreign subsidiary	-	-	(919)	-	-	(919)
Other comprehensive income	0	0	10,007	22,071	0	32,078
Net profit/(loss)	-	-	-	-	(275,555)	(275,555)
Total recognized income for the year	0	0	10,007	22,071	(275,555)	(243,477)
Capital reduction	(466,525)	-	-	-	466,525	0
Rights issue:						
- Proceeds from share issue	-	-	-	-	-	0
- Costs of share issue	-	(4,639)	-	-	-	(4,639)
- Reversal of cost related to rights issue	-	7,438	-	-	-	7,438
Employee warrant programme:						
- Costs of share-based payment	-	-	-	-	1,098	1,098
Transfers	-	(2,799)	-	-	2,799	0
Equity at 31 December 2012	**24,554**	**0**	**21,976**	**0**	**34,522**	**81,052**
Equity at 1 January 2013	**24,554**	**0**	**21,976**	**0**	**34,522**	**81,052**
Foreign exchange adjustment of net investment in foreign subsidiary	-	-	(5,742)	-	-	(5,742)
Other comprehensive income	0	0	(5,742)	0	0	(5,742)
Net profit/(loss)	-	-	-	-	12,358	12,358
Total recognized income for the year	0	0	(5,742)	0	12,358	6,616
Employee warrant programme:						
- Costs of share-based payment	-	-	-	-	282	282
Transfers	-	-	-	-	-	0
Equity at 31 December 2013	**24,554**	**0**	**(5,742)**	**0**	**47,162**	**87,950**

* Under Danish corporate law, share capital may not be used for distribution of dividends.

** In accordance with the Danish Companies Act, "Share premium" has been transferred to "Retained earnings". Accumulated "Share premium" was DKK 2,408 million at 31 December 2013 (2012: DKK 2,408 million).

*** Other reserves are specified in note 17.

No dividend has been paid during this or earlier reporting periods.

Statement of movements in equity (continued) (DKK thousands)

Share capital	2009	2010	2011	2012	2013
Share capital at 1 January	314,866	487,590	491,079	491,079	24,554
Equity issues	172,724	-	-	-	-
Capital reduction	-	-	-	(466,525)	-
Exercise of warrants	-	3,489	-	-	-
Share capital at 31 December	**487,590**	**491,079**	**491,079**	**24,554**	**24,554**

The total number of shares is 24,553,947 (2012: 24,553,947) with a nominal value of DKK 1 each (2012: DKK 1 per share). All issued shares are fully paid up. All shares carry the same rights.
The Company has issued warrants to Management and other employees. See note 3.

Treasury shares	Number of shares	Nominal value	Percentage of share capital	Market value DKK million
Treasury shares at 1 January 2013	265,946	265,946	1.08	1.0
Adjustments	-	-	-	(0.2)
Treasury shares at 31 December 2013	**265,946**	**265,946**	**1.08**	**0.8**

1 Significant accounting estimates and judgments

The preparation of the Consolidated Financial Statements requires NeuroSearch to make estimates and judgments that affect the reporting of assets, liabilities and expenses and the related disclosure of contingent assets and liabilities. The estimates are reviewed on an ongoing basis. The estimates are based on historical experience and on various other assumptions which NeuroSearch believes to be reasonable under the circumstances. However, the actual results may differ significantly from these estimates. NeuroSearch believes that the basis of preparation and the accounting policies relating to revenue recognition, cost of closing down operations, development costs, goodwill and financial assets and deferred tax involve estimates or judgments by Management that could materially affect the reported financial position and results of operations.

Financial statements review dispute
NeuroSearch sold its former development project Huntexil® to Teva in 2012 for a total consideration of DKK 150 million, of which DKK 121 million was recognised and presented as revenue in 2012, while the remaining part of the consideration, DKK 29 million, was released in 2013 and recognised correspondingly.

The Danish Business Authority has reviewed our Annual Report for the financial year 2012, and has in a draft decision stated that it was a misstatement to classify the proceeds from the sale of Huntexil® as revenue. The Danish Business Authority states that the proceeds must be classified as profit on the sale of an intangible asset.

Management believes that the proceeds have been accounted for correctly within the framework of IFRS, as the classification as revenue best reflects the Company's ability to generate income as part of its ordinary operating activity as well as it is in accordance with biotech practice.

The Danish Business Authority is expected to present the case to the Danish Financial Council by mid-February 2014, after which the Danish Business Authority will make a decision.
The Annual Report has been prepared and adopted under the assumption that the decision turns out in NeuroSearch's favour. The sale of the Huntexil® project has consequently not been reclassified in the Annual Report for 2013 as a material misstatement in the Annual Report for 2012, and the amount recognised in 2013 has also been recognised in revenue.

It is expected that a final decision will have been made before our Annual General Meeting to be held in March 2014 when the Annual Report is to be approved. If the decision goes against the Company, the Annual Report will be restated accordingly.

Any such adjustment will not have any impact on profit, equity or cash flows, as it will solely be a reclassification of the sale of Huntexil® from revenue to other operating income in 2012 and 2013.

Basis of preparation
The Annual Report is prepared on a going concern basis.

In July 2013, the Company was charged by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an incident in the spring of 2010. The charge against the Company is for share price manipulation, which the Company denies. Court proceeding are set to begin in May 2014.

Until a final judgment is available in the case, NeuroSearch does not expect any sale, merger or the like of the Company as the consequences of a judgment will be largely unknown to a potential buyer or merger partner. For the same reason, the Company is unable to declare any dividend or file for liquidation of the Company.

The operation of the Company is therefore continued at the lowest possible cost.

The Company’s capital is considered to be sufficient to fund the current and future level of activity.

Costs of closing down operations
NeuroSearch began a major restructuring of operations in September 2011 in order to optimise financial and management resources for completing the development of Huntexil® and for closing down some of the Company’s other operations in a controlled manner.

Discontinued operations produced a profit of DKK 16 million (2012: a profit of DKK 57 million).

Development projects and impairment test
Due to very long development periods and significant uncertainties related to the development of new products, in-house development costs are generally not deemed to meet operation requirements for capitalisation. The criteria for technical viability are not deemed to have been met until regulatory approval has been obtained. All in-house research and development costs are therefore recognised in the income statement as incurred. The carrying amount of in-house development costs totalled DKK 22 million for the Group (2012: DKK 457 million) and were all recognised in the income statement.

Acquired development projects are capitalised if, according to IAS 38, they are identifiable and can be separated. All projects have been sold or discontinued, see notes 9 and 18, and at 31 December 2013, development projects are not subject to significant accounting estimates.

Goodwill impairment test

All projects have been sold or discontinued, see notes 9 and 18, and at 31 December 2013, goodwill is not subject to significant accounting estimates.

Financial assets

Under NeuroSearch's accounting policies, investments in financial assets, except for investments in subsidiaries and associates, are measured at fair value. For assets not measured at fair value in an active market, i.e. assets other than listed shares and bonds, the determination of fair values will be subject to a certain element of estimation. Subsequent trades or material contributions of fresh capital from independent third parties may be are an indication of fair value. If it is not possible reliably determine fair value, the investment is measured at cost, as Management believes there are no other reasonable methods that can be applied in the valuation of unlisted shares.

In connection with the reclassification of the interest in the former associate Atonomics A/S, Management assessed that it was not possible to reliably determine the fair value, for which reason reclassification was made at written-down value (DKK 0). Moreover, Management assesses that it has not subsequently been possible to determine a fair value, for which reason the value at 31 December 2013 is unchanged at DKK 0.

Revenue recognition

NeuroSearch receives fees from partnership and licence agreements for the performance of research services, licence option fees and licence fees such as up-front or milestone payments. Revenue is recognised from licence agreements and milestone payments under which NeuroSearch has no continuing performance obligations and NeuroSearch is certain that the Company will receive the revenue.

Revenues from conditional, non-refundable grants received from governmental agencies in advance of incurred expenses are recognised as deferred income. Revenues from funding received upon proof of incurred expenses are recognised when such expenses actually incur.

In connection with the assets transfer agreement of the Huntexil® project, NeuroSearch is entitled to potential milestone payments from Teva up to DKK 55 million. The income from future milestone payments will be recognised when the conditions have been met or when the income is received.

Revenue for the Group totalled DKK 29 million (2012: DKK 121 million).

Deferred tax

Deferred tax assets are recognised when it is likely that there will be sufficient future taxable income to utilise the temporary differences and unutilised tax losses.

Management has assessed whether the tax assets should be recognised as income in the income statement and as an asset in the balance sheet. The tax assets are currently not deemed to meet the criteria for recognition. So far, the decision is to continue to disclose the size of the assets in the notes to the Financial Statements. Management will regularly reconsider whether the accounting criteria for recognising the assets in the balance sheet and income statement have been met.

As of 31 December 2013, the Group had tax loss es carried forward totalling approximately DKK 1,800 million which can be carried forward indefinitely. In addition, the Group had deductible temporary differences (net) of approximately DKK 473 million, totalling DKK 2,273 million. The carrying amount of unrecognised deferred tax assets was approximately DKK 500 million for the Group at a tax rate of 22% (2012: DKK 518 million at a tax rate of 25%).

2	Amortisation, depreciation and impairment	2013	2012
	Intangible assets		
	Recognised in:		
	Development costs	-	469,305
	Total	**0**	**469,305**
	Tangible assets and available-for-sale property, plant and equipment		
	Recognised in:		
	General and administrative costs	-	(58,600)
	Total	**0**	**(58,600)**

3	Staff	2013	2012
	Break down of staff costs:		
	Salaries and wages	25,967	66,264
	Share-based payment	282	1,097
	Pension	1,528	5,755
	Social security costs	109	2,412
	Other staff costs	440	877
	Total	**28,326**	**76,405**
	Recognised in:		
	Development costs	12,619	21,450
	General and administrative costs	14,602	9,870
	Discontinuing operations	1,105	45,085
	Total	**28,326**	**76,405**
	Average number of employees	18	88
	Number of employees at 31 December	2	29
	Of this, number of employees engaged in the discontinued operations	0	3
	Remuneration to the registered CEO and the Board of Directors:		
	Executive Management:*		
	Salaries	4,999	4,701
	Pension costs	233	445
	Share-based payment	-	699
	Total	**5,232**	**5,845**
	Board of Directors:		
	Fees	1,433	2,700
	Share-based payment	-	-
	Total	**1,433**	2,700
	Total remuneration to the CEO and Board of Directors	**6,665**	**8,545**

* In November 2013, René Schneider left his position as CEO. On 1 December 2013, Allan Andersen, Chairman of the Board of Directors, was appointed CEO, and the remuneration paid to Allan Andersen for 2013 was DKK 75,000. The total consideration for 2013 to René Schneider was DKK 5.1 million, including salary of DKK 1.9 million for the eight months he was released from his duties. Remuneration of the Executive Management in 2012 included remuneration to former CEO Patrik Dahlen, of which DKK 1.7 million was salary for six months during which he was released from his duties.
**The two employee-elected members of the Board of Directors left NeuroSearch in 2013, and they received proportionate remuneration for their work on the Board of Directors.

At 31 December 2013, the CEO held 0 warrants. The Company’s period of notice to the CEO is 3 months. The period of notice to be given by the CEO to the Company is 3 months. For additional information on remuneration to the Executive Management and the Board of Directors, see “Management Structure” in the Management´s Review and the report on Corporate Governance on the Company's website.

Staff (continued)

Breakdown of number of NeuroSearch shares and warrants held by the members of the Board of Directors:

	Warrants						Shares					
	Beginning of period	Allocation	Excercise	Forfeited	Adjustment	End of period	Beginning of period	Exercise of warrants	Purchase	Sale	Adjustment	End of period
Allan Andersen	2,903	-	-	2,903	-	0	21,404	-	-	-	-	21,404
Total	**2,903**	**0**	**0**	**2,903**	**0**	**0**	**21,404**	**0**	**0**	**0**	**0**	**21,404**

	Warrant programme granted in Jan 2007	Warrant programme granted in Sep 2007	Warrant programme granted in 2008	Warrant programme granted in 2009	Warrant programme granted in 2010	Total
Share-based payment						
Outstanding at 1 January 2012	0	0	386,111	579,926	605,842	1,571,579
Granted during the period	-	-	-	-	-	0
Exercised during the period	-	-	-	-	-	0
Forfeited during the period in connection with resignation	-	-	-	-	29,646	29,646
Forfeited at expiry	-	-	386,111	-	-	386,111
Outstanding at 31 December 2012	**0**	**0**	**0**	**579,626**	**576,196**	**1,155,822**
Of which vested for exercise at 31 December 2012	*0*	*0*	*0*	*579,626*	*572,102*	*1,106,728*
Outstanding at 1 January 2013	0	0	0	579,626	576,196	1,155,822
Granted during the period	-	-	-	-	-	0
Exercised during the period	-	-	-	-	-	0
Forfeited during the period in connection with resignation	-	-	-	-	5,859	5,859
Forfeited at expiry	-	-	-	579,926	-	579,926
Outstanding at 31 December 2013	**0**	**0**	**0**	**0**	**570,337**	**570,337**
Of which vested for exercise at 31 December 2013	*0*	*0*	*0*	*0*	*570,337*	*570,337*

Staff (continued)

Warrant programme	Outstanding at 31 Dec 2013	Average exercise price	Latest exercise period	Market value per warrant on date of grant	Market value on date of grant of warrant outstanding at 31 Dec 2013	Market value on date of grant of warrant outstanding at 31 Dec 2012
2009	-	125.71	September 2013	35.62	0	20,646
2010	570,337	94.06	November 2014	50.03	28,534	28,827
	570,337				28,534	49,473

Recognised cost of share-based payment:		
Recognised in previous years	120,428	119,331
Recognised in current year for continuing operations	282	1,691
Recognised in current year for discontinued operations	-	(594)
Recognised share-based payment at 31 December	**120,710**	**120,428**

There were 2 warrant windows during the financial year: No warrants were exercised during these windows. In 2014, there will be 3 windows on the 2010 programme.

	2010 programme
Average share price on date of grant (DKK)	88.54
Exercise price (DKK)	94.06
Expected volatility*	77%
Expected term	48 months
Expected dividend per share	0
Risk-free interest rate (based on Danish government bonds)	2.48%

* The expected volatility is based on the historic volatility over the past three years.

During the vesting period, which is three years, the warrant holder earns the right to exercise 1/36 of the warrants granted per month. If the warrant holder resigns from NeuroSearch or one of its subsidiaries, he or she retains the right to exercise the number of warrants vested on the date of severance (e.g 12/36 of the warrants granted on resignation after 12 months of a vesting period of 36 months). The right to exercise additional warrants is forfeited, if a warrant holder leaves his or her position with NeuroSearch or one of its subsidiaries due to termination by NeuroSearch or one of its subsidiaries without this being due to breach of contract by the warrant holder, the warrant holder will retain the right to exercise the warrants.

If a change of control of NeuroSearch involves other parties than the existing shareholders, it would basically not affect the terms of the warrants issued. However, the Board of Directors may decide that warrant holders must exercise all warrants granted to them and transfer the shares on the same terms as the other selling shareholders or otherwise waive their right to exercise their warrants, whereby they will lapse.

4	Financial income	2013	2012
	Interest income	646	805
	Net foreign exchange adjustment	6,484	-
	Net fair value adjustment of financial assets measured at fair value through profit or loss	330	3,572
	Total	**7,460**	**4,377**

5	Financial expense	2013	2012
	Interest expense	2,322	6,756
	Net foreign exchange adjustment	-	4,780
	Financial element of contingent consideration	-	2,345
	Other financial expenses	-	26,610
	Total	**2,322**	**40,491**

6 Tax (DKK million)

Tax (DKK million)	2013	2012
Calculated tax on the year's loss	-	-
Tax credit received	(1)	-
Change in deferred tax liability allocated to business combinations, see note 17	-	(120)
Deferred tax asset relating to foreign activities offset against deferred tax	-	126
Tax on the year's loss (income)	**(1)**	**6**

As of 31 December 2013, the Group had tax losses carried forward of approximately DKK 1,800 million which can be carried forward indefinitely. In addition, the Group had net deductible temporary differences of approximately DKK 473 million.

The tax credit of DKK 1 million relates to the Company's research and development activities.

In the Financial Statements, the value of the deferred tax asset has been written down to zero as a result of uncertainty as to the Group's ability to generate sufficient future taxable revenues for the tax asset to be utilised.

The statement below shows the year's movements in the potential tax assets:

	2013	2012
Tax on pre-tax loss	(3)	69
Non-taxable income and other tax-deductible costs	-	(120)
Adjustment of deferred tax for prior years	50	(93)
Effect from change in tax rate	(55)	(11)
Foreign exchange adjustment of deferred tax	(10)	18
Higher tax rate in foreign subsidiaries	-	8
Change in deferred tax asset (increase of potential tax asset)	**(18)**	**(129)**

Breakdown of unrecognised deferred tax assets:

	2013	2012
Tax losses carried forward (available indefinitely)	1,800	1,245
Research and development costs	269	479
Rights	120	134
Non-current assets	54	127
Patent costs	4	58
Provisions	-	3
Other	26	55
Total temporary differences	**2,273**	**2,101**
Calculated potential deferred tax asset at local tax rate	500	518
Write-down of deferred tax asset	(500)	(518)
Recognised deferred tax asset	**0**	**0**

7 Discontinued operations

On 27 September 2011, the Group announced a comprehensive restructuring and controlled discontinuation of some of the Company's other operations with the exception of Huntexil® in order to release as many financial and managerial resources as possible to complete the development of Huntexil®.

	2013	2012
Revenue	1.978	23,315
Costs	-	20,485
Profit on sale of non-current assets	11.246	-
Reversal of provision	2.362	54,525
Net profit/(loss) of discontinued operations	**15,586**	**57,355**
Earnings per share, DKK (discontinued operations)*	**0.63**	**2.34**
Cash flow from operation	(3,396)	(38,449)
Cash flow from investments	11,246	-
Cash flow from financing	-	(22,473)
Net cash flow for the period	**7,850**	**(60,922)**
Provisions		
Provisions at 1 January	7,736	129,351
Disposal	5,374	67,090
Reversal	2,362	54,525
Provisions at 31 December**	**0**	**7,736**

* Reference is made to note 8 for average number of outstanding shares used in the calculation of "Earnings per share" of discontinued operations.
** Provisions relate to expenses regarding discontinued operations including contractual obligations under collaborative agreements.

8 Earnings per share

	2013	2012
Net profit/(loss) for continuing operations, DKK thousands	(3,227)	(332,910)
Net profit/(loss) for the year, DKK thousands	12,358	(275,555)
Average number of outstanding shares (in thousands)	24,554	24,554
Dilutive effect of outstanding warrants "in the money" (in thousands)*	-	-
Average number of outstanding shares including dilutive effect of warrants "in the money" (in thousands)	**24,554**	**24,554**
Earnings per share for continuing operations, DKK	(0.13)	(13.56)
Earnings per share for continuing operations, diluted, DKK	(0.13)	(13.56)
Earnings per share for the year, DKK	0.50	(11.22)
Earnings per share for the year, diluted, DKK	0.50	(11.22)

* Warrants have an anti-dilutive effect as a result of the loss for the year, and they have consequently not been taken into account in connection with the calculation of diluted earnings per share. The diluted earnings per share are therefore the same as the basic earnings per share.

9	Intangible assets	Development projects	Licences and patents	Goodwill	Software
	Cost at 1 January 2013	44,566	0	46,113	0
	Disposal	-	-	-	-
	Foreign exchange adjustment	-	-	-	-
	Cost at 31 December 2013	44,566	0	46,113	0
	Amortisation and impairment at 1 January 2013	44,566	0	46,113	0
	Amortisation	-	-	-	-
	Impairment	-	-	-	-
	Disposal	-	-	-	-
	Amortisation and impairment at 31 December 2013	44,566	0	46,113	0
	Carrying amount at 31 December 2013	**0**	**0**	**0**	**0**
	Cost at 1 January 2012	645,072	19,683	101,651	4,149
	Reassessment of contingent consideration related to acquisition	(16,321)	-	(40,593)	-
	Disposal	591,693	19,683	15,651	4,149
	Foreign exchange adjustment	7,508	-	706	-
	Cost at 31 December 2012	44,566	0	46,113	0
	Amortisation and impairment at 1 January 2012	166,954	19,683	61,764	4,149
	Amortisation	-	-	-	-
	Impairment	469,305	-	-	-
	Disposal	591,693	19,683	15,651	4,419
	Amortisation and impairment at 31 December 2012	44,566	0	46,113	0
	Carrying amount at 31 December 2012	**0**	**0**	**0**	**0**

Goodwill represents the amounts paid in excess of the carrying amounts of assets on acquisition of development projects in connection with the business combination. Goodwill is thus allocated fully to the activities in NeuroSearch Sweden AB where the acquired development projects are each considered independent cash-generating units.

Development projects represent the three development programmes, Huntexil®, seridopidine and ordopidine, which NeuroSearch acquired in connection with the acquisition of Carlsson Research in 2006.

In connection with the interim report for the first half year of 2012 released on 30 August 2012, an impairment test of the carrying amounts of the intangible assets including goodwill was made. The impairment test for Huntexil® is performed as a ”Value in use” test while the other assets are assessed in comparison to the net sale price. At that time, the Company had neither found a partner or buyer for Huntexil® nor had the Company seen sufficient interest from investors to carry out a capital increase. Therefore, the Board of Directors could not guarantee financing of the continued development of Huntexil® and the realisation of the value related to the project.

For this reason the carrying amount was impaired.

On 27 September 2012, NeuroSearch sold the full Huntexil® project. The agreement was approved by the Company's shareholders and concluded on 25 October 2012. For further information on the sale of the Huntexil® project, reference is made to the "Financial review", as well as note 18.

10 Property, plant and equipment	Land and buildings	Plant and machinery	Other plant and equiptment
Cost at 1 January 2013	0	121,280	21,821
Disposals	-	121,280	21,821
Transfer to available-for-sale property, plant and equipment	-	-	-
Cost at 31 December 2013	0	0	0
Depreciation and impairment at 1 January 2013	0	121,280	21,821
Depreciation	-	-	-
Impairment	-	-	-
Disposals	-	121,280	21,821
Transfer to available-for-sale property, plant and equipment	-	-	-
Depreciation and impairment at 31 December 2013	0	0	0
Carrying amount at 31 December 2013	**0**	**0**	**0**
Cost at 1 January 2012	209,477	121,280	21,821
Transfers	-	-	-
Disposals	-	-	-
Transfer to available-for-sale property, plant and equipment	209,477	-	-
Cost at 31 December 2012	0	121,280	21,821
Depreciation and impairment at 1 January 2012	157,077	121,280	21,821
Depreciation	-	-	-
Impairment*	-	-	-
Disposals	-	-	-
Transfer to available-for-sale property, plant and equipment	157,077	-	-
Depreciation and impairment at 31 December 2012	0	121,280	21,821
Carrying amount at 31 December 2012	**0**	**0**	**0**

11 Investments in associates 2012***

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/(loss)	NeuroSearch A/S's share: Equity	Profit/(loss) before tax	Net profit/(loss)
NsGene A/S	Ballerup	26.8	14,357	(10,324)	6,290	17,30	4,878	(2,764)	1,306	1,306
				(10,324)			**4,878**	**(2,764)**	**1,306**	**1,306**

	Equity	Profit/(loss) before tax	Net profit/(loss)
Adjustment of prior-year profit/(loss) of associates	2,764	(1,306)	(1,306)
Recognised value of investments in associates	**0**	**0**	**0**

Investment in associates 2011

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/(loss)	NeuroSearch A/S's share: Equity	Profit/(loss) before tax	Net profit/(loss)
NsGene A/S	Ballerup	26.8	14,357	(14,180)	26,736	9,938	(2,680)	(3,797)	(413)	(413)
Atonomics A/S	Copenhagen	*17.8	28,584	133,865	134,889	-	(9,063)	23,828	(1,613)	(1,613)
				119,685			**(11,743)**	**20,031**	**(2,026)**	**(2,026)**

	Equity	Profit/(loss) before tax	Net profit/(loss)
Adjustment to Group accounting policies	(23,683)	(3,197)	(3,197)
Reversal of share of negative net asset value in associates	3,797	414	414
Net unrealised gains/(losses) on equity issues in associates	-	3,856	3,856
Adjustment of prior-year profit/(loss) of associates	-	(31)	(31)
Recognised value of investments in associates	**0**	**(1,129)**	**(1,129)**

* The Company's investment in Atonomics A/S is recognised as an investment in an associate. As from 2013 NeuroSearch no longer has a significant influence in Atonomics, as NeuroSearch no longer has a member on the company's Board of Directors. See note 12.

*** In connection with the attempt to sell the investment in associates, the investment has been reclassified to available-for-sale investments in associates.

12 Available-for-sale financial assets

	2013	2012
Additions (transferred from associated companies)	-	-
Fair value adjustment for the year	-	-
Fair value at 31 December	**0**	**0**

Available-for-sale financial assets include the following

	2013	2012
Unlisted shares in Atonomics A/S	-	-
Fair value at 31 December	**0**	**0**

As at 9 September 2013, NeuroSearch's shares in Atonomics A/S were reclassified from associated companies to available-for-sale financial assets. The reclassification was made as NeuroSearch no longer has significant influence in the company as a result of ownership interest or board membership. It has not been possible to determine a reliable fair value as of the date of reclassification, for which reason reclassification was made at the written-down value of DKK 0.

13 Available-for-sale property, plant and equipment

	2013	2012
Available-for-sale property, plant and equipment at 1 January	111,000	0
Additions	-	52,400
Disposal	111,000	-
Reversal of write-down	-	58,600
Available-for-sale property, plant and equipment at 31 December	**0**	**111,000**

On 6 May 2013, NeuroSearch signed an agreement with PKA for the sale of the Company's land and buildings with 1 July 2013 as the date of takeover and for a cash consideration of DKK 112.5 million.

14 Other receivables

	2013	2012
Prepaid costs*	139	2,573
Project-related receivables **	-	2,829
Other receivables	1,975	9,683
Total	**2,114**	**15,085**

* Prepaid costs concern insurance, subscriptions, etc.
** Project-related receivables consist of receivables from the Company's partnership agreements.

The carrying amount of other receivables largely corresponds to their fair values. Other receivables are not subject to material credit risk as they primarily concern receivables from large international partners, prepaid costs and VAT.

As of 31 December 2013, there were no indications of impairment of other receivables.

15 Other financial assets measured at fair value through profit and loss

	2013		2012	
	Cost	Market value	Cost	Market value
Breakdown of bonds and unit trusts:				
Danish mortgage bonds	-	-	20,764	21,365
Total other financial assets measured at fair value	**0**	**0**	**20,764**	**21,365**
Terms to maturity of bonds:				
Less than 1 year	-	-	-	-
Between 1 and 5 years	-	-	2,403	2,408
More than 5 years	-	-	18,361	18,957
Total	**0**	**0**	**20,764**	**21,365**

16 Cash and cash equivalent

	2013	2012
Money market accounts	88,845	60,066
Total	**88,845**	**60,066**

NeuroSearch is subject to credit risk with respect to bank deposits. The maximum credit risk corresponds to the carrying amount.

The credit risk involved in cash is handled by only collaborating with financial institutions with satisfactory creditworthiness. No significant credit risk is considered to exist in relation to cash as the counterparty is Nordea, which has Moody's ratings of P-1 and A1 short-term and long-term, respectively.

17 Other reserves

Other reserves comprise the fair value of financial instruments recognised in other comprehensive income. A breakdown is given below:

	2013	2012
Interest rate swap:		
Adjustment of hedge of cash flows for the year:		
Deferred gain/(loss) on hedge of cash flows at 1 January	-	(22,071)
Effect of hedged expected transactions recognised in the income statement under financial income or expense	-	2,747
Fair value adjustment for the year relating to hedge of cash flows	-	(5,121)
Charged to the profit/(loos) under financial expenses	-	24,445
Adjustment of hedge of cash flows for the year recognised in other comprehensive income	**0**	**22,071**
Deferred gain/(loss) relating to hedge of cash flows at 31 December recognised in other reserves	**0**	**0**

Interest rate swap were subsequently redeemed in November 2012 at a value of DKK 26.6

18 Acquisition of subsidiaries and operations

In 2006, NeuroSearch acquired all the shares in Carlsson Research AB (now NeuroSearch Sweden AB). The contingent consideration and the deferred tax related to the acquisition are described below.

In connection with the interim report for the first half year of 2012, the Company wrote off the value of Huntexil®.

No acquisitions were made in 2013 and 2012.

Contingent consideration
As a consequence of the write-off of Huntexil®, in connection with the interim report for the first half year of 2012 contingent payments to the sellers of Carlsson Research were also written off.

	2013	2012
Contingent consideration at 1 January	-	55,017
Write-down	-	56,913
Foreign exchange adjustments and amortisation	-	1,896
Contingent consideration at 31 December	**0**	**0**
Current liabilities	0	0
Non-current liabilities	0	0

Other contractual obligations
As a consequence of the write-off of Huntexil®, in connection with the interim report for the first half year of 2012 other contractual obligations to the sellers of Carlsson Research were also written off.

No milestone payments were made in 2013 and 2012.

	2013	2012
Other contractual obligations at 1 January	-	81,593
Payments of current obligations	-	6,864
Additions	-	-
Disposals	-	77,304
Foreign exchange adjustments and amortisation	-	2,575
Other contractual obligations at 31 December	**0**	**0**
Current liabilities	0	0
Non-current liabilities	0	0

Acquisition of subsidiaries and operations (continued)

Breakdown of deferred tax:

	2013	2012
Carrying amount of development projects, see note 9	-	0
Tax rate in Sweden	-	*22%
Deferred tax at 31 December	-	-
Offset of tax asset used, beginning of year	-	125,913
Offset of tax asset for the year, see note 6	-	(120,089)
Adjustment	-	(5,824)
Carrying amount at 31 December	**0**	**0**

* Sweden has decided to change the tax rate from 26.3% to 22% in 2013

19 Mortage debt

Breakdown of debt to financial institutions stated in the balance sheet:

	2013	2012
Total debt	**0**	**102,169**
Current liabilities	0	102,169
Non-current liabilities	0	0
Of which maturity is more than five years	0	0

20 Fees to auditors appointed at the Annual General Meeting

	2013	2012
Audit	250	370
Other assurance engagements	-	14
Tax advice	258	381
Non-audit service	300	1,508
Total	**808**	**2,273**

21 Related-party transactions

NeuroSearch related parties
Related parties comprise the Company's Executive Management, Board of Directors, subsidiaries, and the associated company NsGene A/S. In addition, Kromann Reumert is considered a related party, as Christian Lundgren, who is a member of our Board of Directors, is a partner in the law firm.

Transactions with related parties
In addition to remuneration for work on the Board of Directors, DKK 1.5 million was paid to Kromann Reumert for work performed for NeuroSearch as the Company's lawyer.

There were no other transactions with related parties during the year.

For information on remuneration paid to the members of the Executive Management and the Board of Directors, please see note 3 “Staff”.

22 Contingent assets, contingent liabilities and commitments

Contingent assets

The Group has an unrecognised potential deferred tax asset of approximately DKK 500 million (2012: DKK 518 million). See note 6 for a breakdown of the tax asset.

Contingent liabilities

In July 2013, the Company was charged by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an incident in the spring of 2010. The charge against the Company is for share price manipulation, which the Company denies. If judgment should be passed against the Company, it could result in the Company being fined. As there is no relevant case law, it is difficult to estimate the amount of a potential fine. Management considers it unlikely that judgment will be passed against the Company in the matter. In this regard, and combined with the uncertainty with respect to the amount of a fine, if any, no liability has been recognised in the Financial Statements for 2013. Court proceedings are set to begin in May 2014.

There are no other material outstanding contingent liabilities.

Information regarding takeover of control of NeuroSearch and contractual obligations

The EU Takeover Directive, which has been implemented as part of the Danish Financial Statements Act, includes certain rules requiring listed companies to provide information that may be of interest to the market and potential bidders, in particular in relation to information on change of control clauses.

For information on share capital and ownership, see "Shareholder information" in Management´s Review. See note 3 for information regarding "change of control" clauses in relation to the Company's warrant programme and contracts with the Executive Management.

23 Financial risks

Based on the financial assets and liabilities, the Group is exposed to certain financial risks, primarily interest rate risks, liquidity risks and foreign currency risks. Group policy is to not actively conduct speculation in financial risks. Accordingly, the Group's financial management exclusively involves the management of financial risks that arise as a direct consequence of the Group's operations and financing. The general framework for the financial risk management is laid down in the annual strategic planning, which takes into account factors such as the scientific, commercial and financial risks. In this connection, reference is made to "Risk management and internal control" in the Management´s Review.

For a description of the accounting policies and method applied, including the recognition criteria and basis of measurement, see the relevant section under "Accounting policies".

Interest rate risk

The general purpose of managing interest rate risk is to limit the adverse impact of interest rate fluctuations on earnings and the balance sheet. Fluctuations in the interest rate level affect both the Company's income statement and balance sheet.

NeuroSearch is primarily exposed to interest rate risks in connection with interest-bearing assets and liabilities.

Foreign exchange risk

The general objective of currency risk management is to limit the short-term adverse impact of exchange-rate fluctuations on earnings and cash flows and thus increases the predictability of the financial results. The Company's transactions denominated in foreign currency are limited and are not deemed to have any significant impact on the income statement and balance sheet. However, the Group's policy is that Management regularly evaluates the need to hedge expected exchange rate risks as a result of future transactions denominated in foreign currency.

As at 31 December 2013, the Group had not entered into forward currency contracts.

Exchange rate risks primarily relate to project revenue and costs to and from foreign partners. It is Management's strategy to seek to offset exchange rate risks by matching revenue and costs in the same currencies.

The table below shows the effect on net profit/(loss) and equity of probable changes in the financial variables on the balance sheet date.

	2013		2012	
	Fluctuation	**Effect**	**Fluctuation**	**Effect**
EUR	+/- 2%	16	+/- 2%	171
GBP	+/- 5%	52	+/- 5%	150
SEK	+/- 5%	167	+/- 5%	981
USD	+/- 10%	77	+/- 10%	1,269

The consolidated income statement is also affected by changes in the exchange rate of SEK to DKK, because the results of the subsidiary NeuroSearch Sweden AB are translated into DKK at the end of the year using average exchange rates.

Financial risks (continued)

A breakdown of the Company's aggregate liquidity risk on financial assets and liabilities based on contractual due dates is given below:

Liquidity risk:	<12 months	1-2 years	3-5 years	> 5 years	Total*	Fair value**	Carrying amount
At amortised cost							
Trade and other creditors	1,156	-	-	-	1,156	1,156	1,156
Other liabilities	3,103	-	-	-	3,103	3,103	3,103
Total financial liabilities at 31 December 2013	**4,259**	**0**	**0**	**0**	**4,259**	**4,259**	**4,259**
Loans and receivables							
Other receivables	2,114	-	-	-	2,114	2,114	2,114
Cash	88,845	-	-	-	88,845	88,845	88,845
Total financial assets at 31 December 2013	**90,959**	**0**	**0**	**0**	**90,959**	**90,959**	**90,959**
Net total at 31 December 2013	**86,700**	**0**	**0**	**0**	**86,700**	**86,700**	**86,700**
At amortised cost							
Mortgage debt***	103,379	-	-	-	103,379	102,348	102,169
Trade and other creditors	10,274	-	-	-	10,274	10,274	10,274
Other liabilities	14,021	-	-	-	14,021	14,021	14,021
Total financial liabilities at 31 December 2012	**127,674**	**0**	**0**	**0**	**127,674**	**126,643**	**126,464**
Loans and receivables							
Other receivables	15,085	-	-	-	15,085	15,085	15,085
Cash	60,066	-	-	-	60,066	60,066	60,066
At fair value							
Other financial assets at fair value	21,365	-	-	-	21,365	21,365(1)	21,365
Total financial assets at 31 December 2012	**96,516**	**0**	**0**	**0**	**96,516**	**96,516**	**96,516**
Net total at 31 December 2012	**(31,158)**	**0**	**0**	**0**	**(31,158)**	**(30,127)**	**(29,948)**

* All cash flows are non-discounted and include all liabilities under contracts entered into, including, among other things, future interest payments on loans.
** The fair value of financial liabilities is determined as the discounted cash flows based on the market rates and credit conditions on the balance sheet date.
*** The value of the mortgage debt is calculated to the expected time of redemption.

(1) Level 1 – Observable market prices of identical instruments

The Company ensures sufficient capital resources through a combination of cash management, highly liquid marketable securities and non-guaranteed and guaranteed credit facilities.

See the cash flow statement for a specification of capital resources as of 31 December 2013 and 2012.

24 Adjustments

	2013	2012
Amortisation, depreciation and impairment, see note 2 and 3	-	410,705
Losses/gains on sales of non-current assets	(11,809)	-
Financial income and expenses	(5,138)	36,114
Changed milestone payment, see note 18	-	(83,131)
Profit/(loss) from investments in associates	-	1,129
Share-based payment	282	1,098
Tax for the year	(1,250)	5,824
Currency adjustment	(5,725)	2,668
Total	**(23,640)**	**374,407**

Financial Statements of the parent company

Accounting policies

for the period 1 January – 31 December (DKK thousands)

Basis of preparation

The Financial Statements of the parent company are presented in accordance with the Danish Financial Statements Act (reporting class D) and other accounting regulations applicable to companies listed on NASDAQ OMX Copenhagen A/S.

The accounting policies of the parent company are the same as those of the Group, however, with the addition of the policies described below. The Group's accounting policies are described on pages 19-23 of the Annual Report.

Supplementary accounting policies for the parent company

Discontinued operations

In the Financial Statements of the parent company profit/(loss) from discontinued operations is recognised in the line items they relate to. Reference is made to note 21 for a breakdown of the amount by which discontinued operations are included in selected items.

Financial assets

Investments in subsidiaries and associates are recognised in the parent company financial statements under the equity method, i.e. at the proportionate share of the net asset value of these companies. Positive differences between historic cost and net asset value on the date of acquisition are recognised in the parent company's Financial Statements under financial assets as part of the investments in subsidiaries (goodwill). Goodwill is amortised on a straight-line basis over the expected life of patents, estimated to be 20 years. Goodwill arising on acquisitions is amortised over the residual life of the patents.

A proportionate share of the profit/(loss) after tax less amortisation of goodwill and unrealised intra-group gains is recognised in the income statement under the line items "Share of profit/(loss) of subsidiaries" and "Share of profit/(loss) of associates".

Net revaluation of investments in subsidiaries and associates exceeding the dividend declared by the companies is recognised in equity as reserve for net revaluation according to the equity method.

Subsidiaries and associates with a negative carrying amount are recognised at DKK 0. A provision is made if the parent company has a legal or constructive obligation to cover the company's negative balance.

Statement of cash flows

In accordance with section 86(4) of the Danish Financial Statements Act, a separate statement of cash flows has not been prepared for the parent company as it is included in the Group. See the consolidated statement of cash flows.

Income statement* for the period 1 January – 31 December (DKK thousands)

Note		2013	2012
	Revenue	29,805	173,048
	Total revenue	**29,805**	**173,048**
1,2	Research costs	-	(16,460)
2	Development costs	21,384	(6,031)
1,2	General and administrative costs	5,807	(33,430)
	Total costs	**27,191**	**(55,921)**
	Operating profit/(loss)	**2,614**	**228,969**
8	Share of profit/(loss) of subsidiaries after tax	2,972	(453,325)
8	Share of profit/(loss) of associates	-	(1,129)
3	Financial income	7,015	4,721
4	Financial expense	1,493	40,548
	Total financials	**8,494**	**(490,281)**
	Profit/(loss)	**11,808**	**(261,312)**
5	Tax on profit/(loss) for the year	1,250	-
	Net profit/(loss)	**12,358**	**(261,312)**
	Allocation of loss		
	Reserve for net revaluation according to the equity method	0	0
	Retained earnings	12,358	(261,312)
		12,358	**(261,312)**

* See the discussion of the financial statements review dispute in the introductory paragraph in Accounting policies on page 19, and note 1 to the Financial Statements concerning the classification of the proceeds from the sale of Huntexil® as revenue.

No dividend has been paid during this or earlier reporting periods.

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2013	2012
6	Tangible assets	-	-
7	Investments in subsidiaries	-	-
7	Investments in associates	-	-
8	Available-for-sale financial assets	-	-
	Total fixed assets	**0**	**0**
9	Available-for-sale property, plant and equipment	-	111,000
10	Other receivables	2,049	15,085
5	Tilgodehavende skat	1,250	-
11	Other financial assets at fair value through profit or loss	-	21,365
12	Cash	88,626	59,636
	Total current assets	**91,925**	**207,086**
	Total ASSETS	**91,925**	**207,086**

Note	EQUITY AND LIABILITIES	2013	2012
	Share capital	24,554	24,554
	Reserve for currency translation	16,233	21,976
13	Other reserves	-	-
	Retained earnings	47,163	34,522
	Total equity	**87,650**	**81,052**
20	Provisions	136	7,313
	Total provisions	**136**	**7,313**
15	Current portion of long-term debt	-	102,169
	Trade and other payables	1,126	10,244
	Other liabilities	2,713	6,308
	Total current liabilities	**3,839**	**118,721**
	Total liabilities	**3,839**	**118,721**
	Total EQUITY and LIABILITIES	**91,925**	**207,086**

14 Acquisition of subsidiaries and operations
16 Fees to auditors appointed at the Annual General Meeting
17 Related parties
18 Contingent assets, contingent liabilities and commitments
19 Financial risks
21 Discontinued operations

Statement of movements in equity (DKK thousands)

	Share capital	Share premium	Reserve for currency translation	Other reserves	Retained earnings	2012 total	2011 total
Equity at 1 January	**24,554**	**0**	**21,976**	**0**	**34,522**	**81,052**	**306,390**
Fair value adjustment of hedging instruments	-	-	-	-	-	0	22,071
Foreign exchange adjustment of net investment in foreign subsidiary	-	-	(5,742)	-	-	(5,742)	10,926
Fair value adjustment of hedge of net investment in foreign subsidiary	-	-	-	-	-	0	(919)
Net profit/(loss)	-	-	-	-	12,358	12,358	(261,312)
Rights issue:							
- proceeds from share issue	-	-	-	-	-	0	0
- costs of share issue	-	-	-	-	-	0	(4,639)
- Reversal of costs related to rights issue	-	-	-	-	-	0	7,438
Employee warrant programme: - costs of share-based payment	-	-	-	-	282	282	1,097
Equity at 31 December	**24,554**	**0**	**16,234**	**0**	**47,162**	**87,950**	**81,052**

Share capital	2009	2010	2011	2012	2013
Share capital at 1 January	314,866	487,590	491,079	491,079	24,554
Equity issues	172,724	-	-	-	-
Capital reduction	-	-	-	(466,525)	-
Exercise of warrants	-	3,489	-	-	-
Share capital at 31 December	**487,590**	**491,079**	**491,079**	**24,554**	**24,554**

The total number of shares is 24,553,947 (2012: 24,553,947) with a nominal value of DKK 1 each (2012: DKK 1 per share). All issued shares are fully paid up. All shares carry the same rights. The Company has issued warrants to the management and a number of employees. See note 3 to the Consolidated Financial Statements.

Notes (DKK thousand)

1	Amortisation, depreciation and impairment	2013	2012
	Property, plant and equipment and available-for-sale property, plant and equipment		
	Recognised in:		
	General and administrative costs	-	(58,600)
	Total	**0**	**(58,600)**

2	Staff	2013	2012
	Breakdown of staff costs:		
	Salaries and wages	24,165	58,693
	Share-based payment	282	1,097
	Pension	1,528	4,801
	Social security costs	109	706
	Other staff costs	440	1,876
	Total	**26,524**	**67,173**
	Recognised in:		
	Research costs	1,105	35,853
	Development costs	12,619	21,450
	General and administrative costs	12,800	9,870
	Total	**26,524**	**67,173**
	Average number of employees	18	75

For a specification of remuneration to the Board of Directors and the Executive Management see note 3 in the Consolidated Financial Statements, as the specification for the parent company is identical to that for the Group.

3	Financial income	2013	2012
	Interest income	835	1,149
	Net foreign exchange adjustments	5,849	-
	Net fair value adjustment of financial assets measured at fair value through profit or loss	330	3,572
	Total	**7,015**	**4,721**

4	Financial expense	2013	2012
	Interest expense	1,493	6,544
	Net foreign exchange adjustments	-	5,049
	Financial element of contingent consideration	-	2,345
	Other financial expenses	-	26,610
	Total	**1,493**	**40,548**

5 Tax (DKK million)

Tax (DKK million)	2013	2012
Calculated tax on the year's loss		-
Tax credit received	(1)	-
Change in deferred tax	-	-
Tax on the year's loss	**(1)**	**0**

As of 31 December 2013, the parent company had tax losses carried forward of approximately DKK 1,312 million which can be carried forward indefinitely. In addition, the parent company had temporary net deductible differences of approximately DKK 473 million.

The tax credit of DKK 1 million relates to the Company's research and development activities.

In the Financial Statements, the value of the deferred tax asset has been written down to zero as a result of uncertainty as to the Company's ability to generate sufficient future taxable revenues for the tax asset to be utilised.

The statement below shows the year's movements in the potential tax asset:

	2013	2012
Tax on pre-tax loss	(3)	65
Share of profit/(loss) of subsidiaries and associates	1	(114)
Non-taxable income and other tax-deductible costs	-	(2)
Adjustment of deferred tax for prior years	(2)	(2)
Effect of tax rate change	(54)	-
Change in deferred tax asset (increase of potential tax asset)	**(58)**	**(53)**

Breakdown of unrecognised deferred tax assets:

	2013	2012
Tax losses carried forward (available indefinitely)	1,312	948
Research and development costs	269	479
Rights	120	134
Non-current assets	54	127
Patent costs	4	58
Provisions	-	3
Other	26	55
Total temporary differences	**1,785**	**1,804**
Calculated potential deferred tax asset at local tax rate	393	451
Write-down of deferred tax asset	(393)	(451)
Recognised deferred tax asset	**0**	**0**

6 Property, plant and equipment	Land and buildings	Plant and machinery	Other plant and equipment	2013 total	2012 total
Cost at 1 January	0	115,109	21,821	136,930	346,407
Additions	-	-	-	0	0
Disposals	-	115,109	21,821	136,930	0
Transferred to available-for-sale property, plant and equipment	-	-	-	-	209,477
Cost at 31 December	0	0	0	0	136,930
Depreciation and impairment at 1 January	0	115,109	21,821	136,930	294,007
Depreciation	-	-	-	0	0
Impairment	-	-	-	0	0
Disposals	-	115,109	21,821	136,930	0
Transferred to available-for-sale property, plant and equipment	-	-	-	0	157,077
Depreciation and impairment at 31 December	0	0	0	0	136,930
Carrying amount at 31 December*	**0**	**0**	**0**	**0**	**0**
** Of which carrying amount of assets held under finance leases*	*0*	*0*	*0*	*0*	*0*

7 Investments in subsidiaries and associates	Subsidiaries		Associates**	
	2013	2012	2013	2012
Cost at 1 January	328,700	985,136	98,492	98,492
Contribution recognised in the investment	7,213	(393)	-	-
Reassessment of contingent consideration related to acquisition*	-	(56,913)	-	-
Foreign exchange adjustment	-	8,214	-	-
Disposals	-	(607,344)	(33,748)	-
Cost at 31 December	335,913	328,700	64,744	98,492
Amortisation and impairment at 1 January	(393,620)	(566,868)	(98,492)	(97,363)
Net profit/(loss)	2,972	1,738	-	(1,129)
Amortisation and impairment of goodwill and development projects	-	(455,063)	-	-
Foreign exchange adjustment	(5,742)	19,229	-	-
Reversal of amortisation and impairment on disposals	-	607,344	33,748	-
Amortisation and impairment at 31 December	(396,390)	(393,620)	(64,744)	(98,492)
Offset against receivables	60,341	60,463	-	-
Provisions for negative equity	136	4,457	-	-
Transfer for offset against receivables or provisions at 31 December	60,477	64,920	0	0
Carrying amount at 31 December	**0**	**0**	**0**	**0**

* See note 9 to the Consolidated Financial Statements for a description of movements in contingent consideration.
** In connection with the attempt to sell the investment in associates, the investment has been reclassified to available-for-sale investments in associates.

Accumulated amortisation and impairment of goodwill and development projects totalled DKK 91 million at 31 December 2013 (2012: DKK 91 million).

The carrying amount of intangible assets in connection with acquisitions was DKK 0 million at 31 December 2013 (2012 DKK 0 million). For information regarding the impairment test of the carrying amount of intangible assets, see note 9 to the Consolidated Financial Statements.

Investments in subsidiaries and associates (continued)

Subsidiaries:

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net Profit/(loss)
NeuroSearch Sweden AB	Gothenburg	100	1,980	(9,870)	265	-	2,860
Poseidon Phar-	Hellerup	100	10,500	63,679	63,694	-	140
NsExplorer A/S	Hellerup	100	564	(3,577)	10	-	(28)

The specification of associates is identical to that of the Group, and reference is therefore made to note 11 to the Consolidated Financial Statements.

8 Available-for-sale financial assets

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 12 to the Consolidated Financial Statements.

9 Available-for-sale property, plant and equipment

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 13 to the Consolidated Financial Statements.

10 Other receivables

	2013	2012
Prepaid costs*	139	2,573
Project-related receivables**	-	2,829
Other receivables	1,910	9,683
Total	**2,049**	**15,085**

* Prepaid costs concern leasing, insurance, subscriptions, etc.
** Project-related receivables consist of receivables from the Company's partnership agreements.

The carrying amount of other receivables largely corresponds to their fair values. Other receivables, etc. are not subject to any material credit risk as they primarily concern receivables from large international partners, prepaid costs and VAT.

As of 31 December 2013, there were no indications of impairment of other receivables.

11 Other financial assets measured at fair value through profit or loss

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 15 to the Consolidated Financial Statements.

12 Cash

	2013	2012
Money market accounts	88,626	59,636
Total	**88,626**	**59,636**

NeuroSearch is subject to credit risk with respect to bank deposits. The maximum credit risk corresponds to the carrying amount.

The credit risk involved in cash is handled by only collaborating with financial institutions with satisfactory creditworthiness. No credit risk is considered to exist in relation to cash as the counterparty is Nordea, which has Moody's ratings of P-1 and A1 short-term and long-term, respectively.

13 Other reserves

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 17 to the Consolidated Financial Statements.

14 Acquisition of subsidiaries and operations

The specification of contingent consideration and other contractual obligations for the parent company is identical to that of the Group, and reference is therefore made to note 18 to the Consolidated Financial Statements.

15 Mortgage debt

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 19 to the Consolidated Financial Statements.

16 Fees to auditors appointed at the Annual General Meeting

A separate statement has not been prepared for the parent company of fees to the auditors appointed at the Annual General Meeting as the fees are included in the statement for the Group pursuant to section 96(3) of the Danish Financial Statements Act. See note 20 to the Consolidated Financial Statements for the statement for the Group.

17 Related parties

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 21 to the Consolidated Financial Statements.

18 Contingent assets, contingent liabilities and commitments

Contingent assets
The parent company has an unrecognised deferred potential tax asset of DKK 393 million (2012: DKK 451 million). See note 5 for a breakdown of the tax asset.

Contingent liabilities
In July 2013, the Company was charged by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an incident in the spring of 2010. The charge against the Company is for share price manipulation, which the Company denies. If judgment should be passed against the Company, it could result in the Company being fined. As there is no relevant case law, it is difficult to estimate the amount of a potential fine. Management considers it unlikely that judgment will be passed against the Company in the matter. In this regard, and combined with the uncertainty with respect to the amount of a fine, if any, a liability has not been recognised in the Financial Statements for 2013. Court proceedings are set to begin in May 2014.

The parent company has issued letters of comfort for Poseidon Pharmaceuticals A/S, NsExplorer A/S and NeuroSearch Sweden AB stating that NeuroSearch A/S will cover the capital requirements of the companies within the budgeted activity limits. In connection with the closure of discontinued operations, major rental, lease and contingent liabilities have been accrued under other liabilities. There are no material outstanding contingent liabilities.

Information regarding takeover of control of NeuroSearch and contractual obligations
The EU Takeover Directive, which has been implemented as part of the Danish Financial Statements Act, includes certain rules requiring listed companies to provide information that may be of interest to the market and potential bidders, in particular in relation to information on change of control clauses.

For information on share capital and ownership, see “Shareholder information” in Management’s Review. See note 3 for information regarding “change of control” clauses in relation to the Company’s warrant programme and contracts with the Executive Management.

19 Financial risks

See information in the Consolidated Financial Statements note 23.

20 Provisions

	2013	2012
Provisions at 1 January	7,313	108,000
Additions	-	4,457
Disposal	6,517	51,204
Reversal	660	53,940
Provisions at 31 December	**136**	**7,313**

Breakdown of provisions at 31 December:

	2013	2012
Discontinued operations (see note 21)	-	2,856
Provision for negative equity in subsidiaries (see note 7)	136	4,457
Total	**136**	**7,313**

21 Discontinued operations

On 27 September 2011, the Group announced a comprehensive restructuring and controlled discontinuation of all the Company's operations with the exception of Huntexil® in order to release as many financial and managerial resources as possible to complete the development of Huntexil®.

	2013	2012
Revenue	1,049	23,314
Profit/(loss) for the period	11,872	56,770
Intangible and tangible assets	0	0
Currents assets	0	2,830
Provsions*	0	2,856

* Provisions of DKK 0 million (2012: DKK 3 million) relate to the remaining cost relating to the discontinued operations.