NeuroSearch

Annual Report
2014

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This Annual Report is published in both a Danish and an English version. In the event of any discrepancies, the Danish version shall prevail.

To our shareholders and other stakeholders

Dear shareholder

The year 2014 was yet another quiet business year. We made some progress in the controlled disposal of our remaining assets. But the current litigation initiated in July 2013 by the Public Prosecutor for Special Economic and International Crime (SEIC) with respect to an incident in the spring of 2010 has prevented us from getting much closer to the intended disposal of assets.

Update on the Company's assets

In October 2014, we announced that we had signed an agreement with Saniona ApS regarding the transfer of our rights to the two development candidates NS2359 and NS2330 (tesofensine). Under this agreement, Saniona assumes the costs of maintaining the partially intertwined patent rights to the two drug candidates. NeuroSearch will not receive any cash or any other consideration in connection with the signing of the agreement, but under the agreement NeuroSearch is entitled to up to 20% of any milestone or royalty Saniona may obtain in connection with the further development of NS2359 and NS2330 as well as of any potential drug based on the two candidates in case such drug should reach the market. This leaves our patent portfolio with only the two dopidines (both of which are related to the compound Huntexil® which was sold in 2012 and is now being developed by Teva Pharmaceuticals), namely

- Seridopidine (completed Phase I)
- Ordopidine (completed Phase I)

Both compounds have potential to be developed for the treatment of CNS disorders.

NeuroSearch will seek to divest the two compounds "as is" as we are not in a position to handle the further clinical development of the compounds.

Moreover, we hold shares in two other companies:

- NsGene A/S (we hold 26.8% of the shares)
- Atonomics A/S (after a new financing round in which we decided not to participate, we now hold 5.2% of the shares)

License agreements

From the license agreements, we have the following potential revenue:

- Potential milestone payments from Teva Pharmaceuticals of up to DKK 55 million relating to the further success in the development of Huntexil®
- Potential milestone payments or royalties from Saniona and/or repayment of the loan of EUR 340,000 (DKK 2.5 million) provided by NeuroSearch in connection with the transfer agreement announced in 2012 (announcement # 20-12)
- Potential milestone payments or royalties of up to 20% from Saniona in respect of the development candidates NS2359 and NS2330 (tesofensine) in connection with the transfer agreement announced in 2014 (announcement # 13-14)

The value of the assets and the license agreements listed above is subject to substantial uncertainty as no established market exists for such assets.

In addition, NeuroSearch calculated the value as of 31 December 2014 of its unrecognised tax losses carried forward at approximately DKK 2,022 million, and deductible timing differences at approximately DKK 210 million, or a total of DKK 2,232 million.Under certain conditions, a potential buyer of NeuroSearch may be able to exploit the unrecognised tax assets in full or in part.

The current litigation
The above mentioned litigation in 2014 had the following outcome:

- On 8 August 2014, NeuroSearch was convicted by the City Court of Copenhagen of share price manipulation in violation of the rules of the Danish Securities Trading Act in an action brought by the Public Prosecutor for Special Economic and International Crime (SEIC) as a result of the conviction of the Company's then CEO for share price manipulation. NeuroSearch was ordered to pay a fine of DKK 5 million. NeuroSearch has decided to make a provision for the potential fine of DKK 5 million in the financial statements for 2014. But the fine will only be paid if the judgment of the City Court is confirmed by the High Court.

- On 18 August 2014, NeuroSearch appealed the decision of the City Court of Copenhagen to the Eastern High Court as the Board of Directors believed there is no basis for convicting the Company of share price manipulation, and that the fine, if any, of DKK 5 million would be by far too harsh. Based on an overall assessment. the Board of Directors furthermore considered that it would be in the best interest of the Company's shareholders to submit the matter to the High Court.Obviously, it cannot be excluded that the Eastern High Court will take a different view.

Against this background, it must be expected that a clarification of the Company's future will have to await the outcome of the appeal. The Eastern High Court has set the hearing of the case for late September 2015.

Outlook for 2015
In 2015, NeuroSearch expects an operating loss in the range of DKK 7-9 million. The outlook does not include any income from the possible sale of Company assets, potential income from the Company's agreements with Teva, Saniona or others, and neither does the outlook take into account a potential reversal of the provision of DKK 5 million made to cover the fine the Company has been ordered to pay.

Board of Directors

Financial

Highlights

Financial highlights for the Group (DKK million)

Income statement and comprehensive income	2010	2011	2012	2013	**2014**
Gain from divestment of intellectual property	-	-	120.7	28.8	-
Development cost	144.4	259.1	457.2	21.7	-
General and administrative cost	23.2	123.4	(46.7)	16.7	13.3
Operating profit/(loss)	(167.6)	(382.5)	(289.8)	(9.6)	(13.3)
Net financials	21.8	33.5	(37.2)	5.1	2.7
Profit/(loss) of continuing operations before tax	(145.8)	(349.1)	(327.1)	(4.5)	(10.6)
Net profit/(loss) of discontinued operations	(160.4)	(329.3)	57.4	15.6	1.6
Profit/(loss) for the period	**(259.0)**	**(678.4)**	**(275.6)**	**12.4**	**(7.7)**
Comprehensive income**	(216.7)	(694.8)	(243.5)	6.6	(10.2)
Balance sheet					
Total assets	1,391.5	840.8	207.5	92.2	84.0
Cash and cash equivalents and securities	480.6	220.6	81.4	88.8	83.4
Equity	994.1	320.6	81.1	88.0	77.7
Investments					
Investments in property, plant and equipment	10.8	3.6	-	-	-
Per share ratios* (DKK)					
Earnings per share	(10.56)	(27.63)	(11.22)	0.50	(0.32)
Diluted earnings per share	(10.56)	(27.63)	(11.22)	0.50	(0.32)
Net asset value	40.49	13.06	3.30	3.58	3.17
Market price at year-end	95.0	17.7	3.74	3.10	2.59
Market price/net asset value	2.35	1.36	1.13	0.87	0.82
Average number of employees	235	222	88	18	2
Number of employees at 31 December	243	189	26	2	2

* *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.*

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
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. In April 2014, TEVA announced the first enrolment of patients to a phase II trial. As it is currently not certain that TEVA will submit their first IND regarding Huntexil® in the near future, NeuroSearch has chosen not yet to recognize milestone payments from TEVA regarding Huntexil®
Saniona ApS	NeuroSearch is entitled to: • Repayment in whole or in part of a loan of EUR 340,000 (DKK 2.5 million) granted by NeuroSearch in connection with the transfer agreement entered into with Saniona in 2012 to cover operations in Saniona. (Since 2012, the loan has been recognised at DKK 0 in NeuroSearch's financial statements because of the uncertainty about the repayment of the loan) • Potential payments from Saniona in the form of up to 20% of milestones and any royalty from the development candidates NS2359 and NS2330 (tesofensine) which Saniona took over from NeuroSearch in October 2014

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 5.2% of the shares in Atonomics

Tax

	Tax
Tax	As of 31 December 2014, the Group had tax losses carried forward totalling approximately DKK 2,022 million which can be carried forward indefinitely. In addition, the Group had deductible temporary differences (net) of approximately DKK 210 million, a total of approximately DKK 2,232 million. The carrying amount of the unrecognised potential deferred tax assets was approximately DKK 491 million for the Group at a tax rate of 22% (2013: DKK 500 million).

Shareholder information

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

Share price and market cap performance in 2014

On 30 December 2014, the closing price of the NeuroSearch share was DKK 2.59, compared with a year-end closing price of DKK 3.10 in 2013, equivalent to a 16% decrease.

Turnover

In 2014, the turnover of NeuroSearch shares totalled DKK 29 million, equivalent to an average daily turnover of DKK 117 thousand. A total of approximately 9 million shares were traded (37%) during the year. I 2013, total turnover in the share was DKK 61 million corresponding to an average daily turnover of DKK 245 thousand and a total number of shares traded of approximately 16 million (66%).

Latest share price and market capitalisation

On 26 February 2015, the closing price of the NeuroSearch shares was DKK 2.92, equivalent to a market capitalisation of NeuroSearch of DKK 72 million.

Ownership structure

On 30 December 2014, NeuroSearch had 16,431 registered shareholders who held a total of 18,539,469 shares. This corresponds to 76% (2013: 77%) of the total outstanding share capital being registered in the Company's register of shareholders. In 2014, the number of registered NeuroSearch shareholders decreased by 2,299, but at the same time the registered part of the share capital remained almost unchanged.

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 2014.

Financial calendar for 2015

The Annual General Meeting will be held on Wednesday, 15 April 2015 at 4 pm (local time) at the law firm of Kromann Reumert, Sundkrogsgade 5, 2100 Copenhagen Ø, Denmark.

Financial reporting for 2015

15 April 2015
Status announcement for Q1 2014

15 April 2015
Annual General Meeting

31 August 2015
Interim report for H1 2015

19 November 2015
Status announcement for Q1-Q3 2015

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 Copenhagen. Thus, our most important communications tools are company announcements and press releases issued via the NASDAQ 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.

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. On 8 August 2014, NeuroSearch was convicted and was concurrently ordered to pay a fine of DKK 5 million. The Company elected to appeal the decision of the City Court of Copenhagen to the Eastern High Court. NeuroSearch has made a provision for the fine of DKK 5 million in 2014. The fine has not been paid and the Company is awaiting the Eastern High Court's decision. NeuroSearch is not aware of any action for damages against the Company as a result of the judgment from the City Court.

Capital resources

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

Securing the Company's operations and assets

NeuroSearch has taken out insurance to cover 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 insurance is 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 its statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act, on its website (www.neurosearch.com/default.aspx?ID=8477).

Corporate social responsibility (CSR) and policies

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

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.

Financial review

The Annual Report 2014 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
In February 2014, the review case regarding the Annual Report 2012 was concluded. The case was about the classification of sales of intangible assets. NeuroSearch restated the Annual Report 2013 in accordance with the decision, so the decision has had no implication on the Annual Report 2014.

Liquidity
As at 31 December 2014, cash and cash equivalents totalled DKK 83 million.

Income statement
In 2014, the Group posted an operating loss on continuing operations of DKK 13 million (2013: DKK 10 million). This was in line with our previously announced expectations of an operating loss in the region of DKK 15 million. The realised loss includes DKK 5 million, which represents the fine NeuroSearch was ordered to pay by the City Court of Copenhagen on 8 August 2014 for violating the rules on share price manipulation of the Danish Securities Trading Act (see company announcement no. # 10-14). NeuroSearch has decided to make a provision for the amount in the financial statements for 2014. NeuroSearch has appealed the decision of the City Court to the Eastern High Court, and the case has been scheduled for hearing in late September 2015. The fine is going to be paid only if the judgment is upheld by the Eastern High Court.

NeuroSearch posted an after tax loss on continuing operations of DKK 9 million (2013: DKK 3 million).

A consolidated loss of DKK 8 million was posted for the year (2013: a profit of DKK 12 million).

Gain from divestment of intellectual property
No divestment of intellectual property assets took place in 2014 (2013: DKK 29 million).

Costs
Consolidated costs totalled DKK 13 million (2013: DKK 38 million).

General and administrative costs totalled DKK 13 million (2013: DKK 17 million). No development activity took place in 2014.

Net financials
Financials amounted to a net income of DKK 3 million (2013: DKK 5 million). This income consisted of financial income of DKK 5 million in 2014 (2013: DKK 7 million), of which DKK 2 million was other interest income, DKK 3 million was currency translation adjustment, and financial expense was DKK 2 million (2013: DKK 2 million), representing other interest expense.

Income taxes
As of 31 December 2014, the Group had tax losses carried forward totalling approximately DKK 2,022 million which can be carried forward indefinitely. In addition, the Group had deductible temporary differences (net) of approximately DKK 210 million, a total of approximately DKK 2,232 million. The carrying amount of unrecognised potential deferred tax assets was approximately DKK 491 million for the Group at a tax rate of 22%

(2013: DKK 500 million). In 2014, NeuroSearch received a tax credit payment of DKK 1 million regarding research and development costs.

Discontinued operations

A minor profit of DKK 2 million was recognised from discontinued operations (2013: income of DKK 16 million mainly from sales of office and lab equipment). The income in 2014 consisted of payments regarding some of the agreements made in 2011 and 2012 regarding the wind-down of the research division NsDiscovery. A number of projects were transferred to spin-offs in the hope they would generate future income from there.

Allocation of profit/loss

It is proposed that the year's consolidated loss of DKK 8 million be transferred to retained earnings.

Balance sheet

The balance sheet stood at DKK 84 million at 31 December 2014 (2013: DKK 92 million).

Cash and cash equivalents totalled DKK 83 million at 31 December 2014 (2013: DKK 89 million).

Statement of cash flows

The cash flow from operating activities amounted to a cash outflow of DKK 8 million in 2014 compared to a cash outflow in 2013 of DKK 47 million. The low cash outflow in 2014 was due to a lower activity level.

The cash flow from investing activities was DKK 0 million in 2014 (2013: DKK 173 million).

The cash flow from financing activities was a cash inflow of DKK 3 million in 2014 (2013: DKK 97 million).

Cash and cash equivalents thereafter amounted to DKK 83 million at 31 December 2014 (2013: DKK 89 million).

Statement of movements in equity

Equity descreased by the consolidated loss for the year of DKK 8 million. Equity stood at DKK 78 million at 31 December 2014 (2013: DKK 88 million).

Financial risks

For further details, please see the discussion under "Risk management and internal control" and information on financial risks stated in note 18.

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 2015

In 2015, NeuroSearch expects an operating loss in the range of DKK 7-9 million. The outlook does not include any income from the possible sale of Company assets, potential income from the Company's agreements with Teva, Saniona or others, and neither does the outlook take into account a potential reversal of the provision of DKK 5 million made to cover the fine the Company has been ordered to pay.

Events after the balance sheet date

NeuroSearch signed an agreement with Saniona ApS and Janssen Pharmaceutica NV in 2012 under which NeuroSearch's research and partnership agreement with Janssen was transferred to Saniona. In February 2015, Saniona and Janssen informed NeuroSearch that the research and partnership agreement has been terminated, for which reason NeuroSearch will no longer potentially receive future milestone payments from it. The terminated agreement has no effect on NeuroSearch's financial statements for 2014.

Other than as stated above, no events have occurred after the end of the financial year that may have a material impact on the financial statements.

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 broad executive experience from the pharmaceutical industry and experience from board memberships, 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 from 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, Executive Director of Provadia Cheese OOD and Executive Director of Jeravna Development EOOD.

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 Familiefond.

Special competencies: Christian Lundgren holds many years of experience within consulting, restructuring and other transactions relating to listed companies and has in-depth 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 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 107b 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.

Nine Board meetings were held during 2014. 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 records.

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 2014 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 million.

The Board of Directors does not receive any other remuneration from NeuroSearch than the fixed remuneration, except for 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 16 to the Consolidated Financial Statements. For information regarding the number of NeuroSearch shares and warrants held by the Board of Directors, see note 2 to the Consolidated Financial Statements.

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Statsautoriseret Revisionspartnerselskab
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Denmark

Legal advisers
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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 2014.

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 2014 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 2014.

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, 27 February 2015

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 2014, page 18-49, 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 2014 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2014 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 2014 and of the results of the Company's operations for the financial year 1 January to 31 December 2014 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, 27 February 2015

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.

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 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 41-49, and the accounting policies are described on page 42.

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by revaluation of 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 2014, 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:

IFRS 10 "Consolidated Financial Statements"
Clarification of the definition of control of another entity. Control exists when the following conditions are met:

A. Power over the entity;
B. Exposure, or rights, to variable returns from involvement with the entity;
C. The ability to use the power over the entity to affect the returns.

IFRS 12 "Disclosure of Interests in Other Entities"
Disclosure requirements relate to interests in other entities, including subsidiaries, jointly controlled operations, jointly controlled entities (joint ventures), associates and structured entities with which the reporting entity has relations.

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 clarification of the disclosures to be made. The amendment removes the requirement of disclosing the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or other intangible assets with indefinite lives is material in proportion to the total carrying amount of the entity's goodwill or other intangible assets with indefinite lives.

IAS 32 "Financial Instruments – Presentation"
The amendment provides further guidance as to when financial assets and liabilities should be offset. The amendment does not change the general principle for offsetting financial assets and liabilities but merely provides further guidance as to how the standard should be interpreted.

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (Novation of Derivatives and Continuation of Hedge Accounting)
The amendments imply that novation of a hedging instrument to a so-called clearing house (CCP) is not considered expiration or termination of the instrument, which would lead to discontinuation of hedge accounting, if such novation is required by existing legislation or because new legislation is introduced. The amendment is specifically aimed at the European Market Infrastructure Regulation (EMIR) applicable in Europe and similar measures.

IFRIC 21 "Levies"
The interpretation sets out provisions on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Continent Assets and those recognised as liabilities because the amount and timing of the levy are certain.

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:

Amendment to IAS 19, "Employee Benefits"
The amendment implies that if the employee pays a fixed percentage of his or her wages/salaries, independent of seniority and wage level, employee contributions may be treated as a reduction of the service costs for the period.

Annual Improvements 2010-2012. Clarifications and minor revisions to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 1, IAS 7, IAS 12, IAS 16, IAS 24 and IAS 36.

Annual Improvements 2011-2013. Clarifications and minor revisions to IAS 1, IFRS 1, IFRS 13 and IAS 40.

Moreover, the IASB has issued the following amendments to standards and new interpretations which are relevant to NeuroSearch, but which have not yet been adopted by the EU:

Amendments to IAS 1, including requirement for subtotals in the income statement and additional requirements for Management's assessment of materiality as well as for the order of the notes to the financial statements.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets". Depreciation and amotisation of intangible assets and property, plant and equipment cannot be based on the revenue they generate.

IAS 27 "Consolidated and separate financial statements". Parent companies are permitted to use the equity method when recognising investments in subsidiaries, associates and joint ventures.

IFRS 9 "Classification and Measurement of Financial Assets and Liabilities"
The number of categories of financial assets is reduced to two categories: amortised cost and fair value. Non-financial entities should note that the amendment eliminates the available for sale category. Fair value changes to financial liabilities for which the fair

value option is used that are attributable to changes in the entity's own credit risk are to be presented in other comprehensive income.

IFRS 15 "Revenue"
New joint standard on revenue recognition. The standard could potentially impact the recognition of revenue to a large extent in a number of areas, including:

- The timing of revenue recognition
- Recognition of variable consideration
- Allocation of revenue from multiple-element contracts
- Recognition of revenue from licence rights
- Contract acquisition costs
- Additional disclosure requirements

Annual Improvements 2012-2014. Clarifications and minor revisions to IFRS 5, IFRS 7, IAS 19 and IAS 34.

No substantial effect on future recognition and measurement is expected from these new standards.

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

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.

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.

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.

Income related to development and license agreements, research agreements, biotech alliances, and other biotech business models are recognised as revenue.

Income from spin-offs is recognised as Income from divestment of intellectual property.

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.

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
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	2014	2013
	Revenue	-	-
	Total revenue	**-**	**-**
	Gain from divestment of intellectual property	-	28,756
	Total other income	**0**	**28,756**
2	Development costs	-	21,693
2	General and administrative costs	13,266	16,678
	Total costs	**13,266**	**38,371**
	Operating profit/(loss)	**(13,266)**	**(9,615)**
10	Share of profit/(loss) of associates	-	-
3	Financial income	4,717	7,460
4	Financial expense	2,010	2,322
	Total financials	**2,707**	**(5,138)**
	Profit/(loss) before taxes of continuing operations	**(10,559)**	**(4,477)**
5	Tax on profit/(loss) for the year of continuing operations	1,250	1,250
	Net profit/(loss) of continuing operations	**(9,309)**	**(3,227)**
6	Profit/(loss) of discontinued operations	1,567	15,585
	Net profit/(loss)	**(7,742)**	**12,358**
	Other comprehensive income:		
	Items which are transferred to the income statement under certain conditions:		
	Exchange adjustment of net investment in foreign subsidiary	(2,494)	(5,742)
	Total other comprehensive income	**(2,494)**	**(5,742)**
	TOTAL COMPREHENSIVE INCOME	**(10,236)**	**6,616**
7	Earnings per share continuing operations, DKK	(0.38)	(0.13)
7	Diluted earnings per share continuing operations, DKK	(0.38)	(0.13)
7	Earnings per share for the year, DKK	(0.32)	0.50
7	Diluted earnings per share for the year, DKK	(0.32)	0.50

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2014	2013
8	Development projects	-	-
8	Goodwill	-	-
9	Property, plant and equipment	-	-
10	Investments in associates	-	-
11	Available-for-sale investments in associates	-	-
	Total non-current assets	**0**	**0**
12	Available-for-sale property, plant and equipment	-	-
13	Other receivables	633	2,114
5	Income tax receivable	-	1,250
14	Cash and cash equivalents	83,397	88,845
	Total current assets	**84,030**	**92,209**
	TOTAL ASSETS	**84,030**	**92,209**

Note	EQUITY AND LIABILITIES	2014	2013
	Share capital	24,554	24,554
	Reserve for currency translation	13,740	16,234
	Retained earnings	39,420	47,162
	Total equity	**77,714**	**87,950**
	Trade and other payables	1,021	1,156
	Other liabilities	5,295	3,103
	Provisions	-	-
	Total current liabilities	**6,316**	**4,259**
	Total liabilities	**6,316**	**4,259**
	TOTAL EQUITY AND LIABILITIES	**84,030**	**92,209**

1 Accounting estimates and judgments
15 Fees to auditors appointed at the Annual General Meeting
16 Related-party transactions
17 Contingent assets, contingent liabilities and commitments
18 Financial risks
20 Events after the balance sheet date

Statement of cash flow

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

Note		2014	2013
	Net profit/(loss)	(7,742)	12,358
19	Adjustments	(3,940)	(52,396)
	Change in working capital		
	Net changes in receivables	1,482	12,971
	Net changes in current debt	2,057	(20,036)
	Cash flow from operating activities	**(8,143)**	**(47,103)**
	Sale of intangible assets	-	28,756
9	Sale of property, plant and equipment	-	122,809
	Net change in securities (more than three months)	-	21,365
	Cash flow from investing activities	**0**	**172,930**
	Repayment of other long-term borrowings	-	(102,169)
	Financial payments received	4,717	7,460
	Financial payment paid	(2,010)	(2,322)
	Cash flow from financing activities	**2,706**	**(97,031)**
	Net cash flows	**(5,436)**	**28,796**
	Net increase/(decrease) in cash and cash equivalents	**(5,436)**	**28,796**
	Cash and cash equivalents at 1 January	88,845	60,066
	Foreign exchange adjustment of cash and cash equivalents	(12)	(17)
	Cash and cash equivalents at 31 December	**83,397**	**88,845**

Statement of movements in equity (DKK thousands)

	Share capital*	Reserve for currency translation	Retained earnings	Total
Equity at 1 January 2013	**24,554**	**21,976**	**34,522**	**81,052**
Foreign exchange adjustment of net investment in foreign subsidiary	-	(5,742)	-	(5,742)
Other comprehensive income	0	(5,742)	0	(5,742)
Net profit/(loss)	-	-	12,358	12,358
Total recognised income for the year	0	(5,742)	12,358	6,616
Employee warrant programme:				
- Costs of share-based payment	-	-	282	282
Equity at 31 December 2013	**24,554**	**16,234**	**47,162**	**87,950**
Equity at 1 January 2014	**24,554**	**16,234**	**47,162**	**87,950**
Foreign exchange adjustment of net investment in foreign subsidiary	-	(2,494)	-	(2,494)
Other comprehensive income	0	(2,494)	0	(2,494)
Net profit/(loss)	-	-	(7,742)	(7,742)
Total recognised income for the year	0	(2,494)	(7,742)	(10,236)
Employee warrant programme:				
- Costs of share-based payment	-	-	-	0
Equity at 31 December 2014	**24,554**	**13,740**	**39,420**	**77,714**

* 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 2014 (2013: DKK 2,408 million).

Because of the current litigation, it must be expected that a clarification of the future of the Company will have to await the outcome of the litigation. We refer to page 4, “The Current litigation”.

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

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

Share capital	2010	2011	2012	2013	2014
Share capital at 1 January	487,590	491,079	491,079	24,554	24,554
Equity issues	-	-	-	-	-
Capital reduction	-	-	(466,525)	-	-
Exercise of warrants	3,489	-	-	-	-
Share capital at 31 December	**491,079**	**491,079**	**24,554**	**24,554**	**24,554**

The total number of shares is 24,553,947 (2013: 24,553,947) with a nominal value of DKK 1 each (2013: DKK 1 per share). All issued shares are fully paid up. All shares carry the same rights.

Treasury shares	Number of shares	Nominal value	Percent-age of share capital	Market value DKK million
Treasury shares at 1 January 2014	265,946	265,946	1.08	0.8
Adjustments	-	-	-	(0.1)
Treasury shares at 31 December 2014	**265,946**	**265,946**	**1.08**	**0.7**

Notes to the financial statements (DKK thousands)

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.

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

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.

Discontinued 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 2 million (2013: a profit of DKK 16 million, primarily from the sale of lab and office equipment. The income in 2014 consisted of payments regarding some of the agreements made in 2011 and 2012 regarding the wind-down of the research division NsDiscovery. A number of projects were transferred to spin-offs in the hope they would generate future income from there.

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 operating 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 0 million for the Group (2013: DKK 22 million).

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 note 8, and at 31 December 2014, development projects are not subject to significant accounting estimates.

Goodwill impairment test
All projects have been sold or discontinued, see note 8, and at 31 December 2014, 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 an indication of fair value. If it is not possible to 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 2014 was 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 if NeuroSearch has no continuing performance obligations and NeuroSearch is certain that the Company will receive the revenue.

Revenue from spin-offs is recognised in Gain from divestment of intellectual property.

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 incurred.

In connection with the asset transfer agreement for the Huntexil® project, NeuroSearch is entitled to potential milestone payments from Teva of 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.

Furthermore, NeuroSearch is entitled to repayment in whole or in part of the loan of DKK 2.5 million granted by

NeuroSearch in connection with the transfer agreement entered into with Saniona and potential payments from Saniona in the form of up to 20% of milestones and of any royalty from the development candidates NS2330 and NS2359 which Sanoina took over from NeuroSearch in October 2014. Since 2012, the loan has been recognised at DKK 0 in NeuroSearch's financial statements because of the uncertainty about the repayment of the loan.

Consolidated income was DKK 0 million (2013: DKK 29 million). The 2013 income was derived from the sale of the Huntexil® project and is accounted for as Profit from the sale of intangible assets.

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 the income statement have been met.

As of 31 December 2014, the Group had tax losses carried forward totalling approximately DKK 2,022 million which can be carried forward indefinitely. In addition, the Group had deductible temporary differences (net) of approximately DKK 210 million, a total of DKK 2,232 million. The carrying amount of unrecognised deferred tax assets was approximately DKK 491 million for the Group at a tax rate of 22% (2013: DKK 500 million).

Notes to the financial statements (DKK thousands)

2 Staff

	2014	2013
Break down of staff costs:		
Salaries and wages	1,945	24,534
Share-based payment	-	282
Pension	213	1,528
Board fee	1,000	1,433
Social security costs	8	109
Other staff costs	2	440
Total	**3,168**	**28,326**
Recognised in:		
Development costs	-	12,619
General and administrative costs	3,168	14,602
Discontinuing operations	-	1,105
Total	**3,168**	**28,326**
Average number of employees	2	18
Number of employees at 31 December	2	2
Remuneration to the registered CEO and the Board of Directors:		
Executive Management:*		
Salaries	900	4,999
Pension costs	-	233
Total	**900**	**5,232**
Board of Directors:		
Fees	1,000	1,433
Share-based payment	-	-
Total	**1,000**	**1,433**
Total remuneration to the CEO and Board of Directors	**1,900**	**6,665**

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.

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

	Shares					
	Beginning of period	Exercise of warrants	Purchase	Sale	Adjustment	End of period
Allan Andersen	21,404	-	-	-	-	21,404
Total	**21,404**	**0**	**0**	**0**	**0**	**21,404**

Notes to the financial statements (DKK thousands)

Staff (continued)

	Warrant programme granted in 2009	Warrant programme granted in 2010	Total
Share-based payment			
Outstanding at 1 January 2013	579,926	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	579,626	-	579,626
Outstanding at 31 December 2013	**0**	**570,337**	**570,337**
Of which vested for exercise at 31 December 2013	*0*	*570,337*	*570,337*
Outstanding at 1 January 2014	0	570,337	570,337
Granted during the period	-	-	0
Exercised during the period	-	-	0
Forfeited during the period in connection with resignation	-	-	0
Forfeited at expiry	-	570,337	570,337
Outstanding at 31 December 2014	**0**	**0**	**0**
Of which vested for exercise at 31 December 2014	*0*	*0*	*0*

Warrant programme	Outstanding at 31 Dec 2014	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 2014	Market value on date of grant of warrant outstanding at 31 Dec 2013
2010	-	94.06	November 2014	50.03	-	28,534
	0				0	28,534

Recognised cost of share-based payment:		
Recognised in previous years	120,710	120,428
Recognised in current year for continuing operations	-	282
Recognised share-based payment at 31 December	**0**	**120,710**

There were three remaining warrant windows during the financial year regarding the 2010 program. All remaining warrants have thus been lost as they have exceeded their time limit. No warrants were exercised in any of the windows.

3	Financial income	2014	2013
	Interest income	2,245	646
	Net foreign exchange adjustment	2,472	6,484
	Net fair value adjustment of financial assets measured at fair value through profit or loss	-	330
	Total	**4,717**	**7,460**

4	Financial expense	2014	2013
	Interest expense	2,010	2,322
	Total	**2,010**	**2,322**

5	Tax (DKK million)	2014	2013
	Calculated tax on the year's loss	-	-
	Tax credit received	(1)	(1)
	Change in deferred tax	-	-
	Tax on the year's loss (income)	**(1)**	**(1)**

As of 31 December 2014, the Group had tax losses carried forward of approximately DKK 2,022 million which can be carried forward indefinitely. In addition, the Group had net deductible temporary differences of approximately DKK 210 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:	2014	2013
Tax on pre-tax loss	(2)	(3)
Non-taxable income and other tax-deductible costs	(1)	-
Adjustment of deferred tax for prior years	-	50
Effect from change in tax rate	-	(55)
Foreign exchange adjustment of deferred tax	(6)	(10)
Higher tax rate in foreign subsidiaries	-	-
Change in deferred tax asset (increase of potential tax asset)	**(9)**	**(18)**

Breakdown of unrecognised deferred tax assets:

	2014	2013
Tax losses carried forward (available indefinitely)	2,022	1,800
Research and development costs	130	269
Rights	-	120
Non-current assets	54	54
Patent costs	-	4
Other	26	26
Total temporary differences	**2,232**	**2,273**
Calculated potential deferred tax asset at local tax rate	491	500
Write-down of deferred tax asset	(491)	(500)
Recognised deferred tax asset	**0**	**0**

6	Discontinued operations	2014	2013

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®.

	2014	2013
Revenue	1,646	1.978
Costs	79	-
Profit on sale of non-current assets	-	11.246
Reversal of provision	-	2.362
Net profit/(loss) of discontinued operations	**1,567**	**15,586**
Earnings per share, DKK (discontinued operations)*	**0.06**	**0.63**
Cash flow from operation	1,567	(3,396)
Cash flow from investments	-	11,246
Cash flow from financing	-	-
Net cash flow for the period	**1,567**	**7,850**
Provisions		
Provisions at 1 January	0	7,736
Disposal	-	5,374
Reversal	-	2,362
Provisions at 31 December**	**0**	**0**

* Reference is made to note 7 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.

7	Earnings per share	2014	2013

	2014	2013
Net profit/(loss) for continuing operations, DKK thousands	(9,309)	(3,227)
Net profit/(loss) for the year, DKK thousands	(7,742)	12,358
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	(0.38)	(0.13)
Earnings per share for continuing operations, diluted, DKK	(0.38)	(0.13)
Earnings per share for the year, DKK	(0.32)	0.50
Earnings per share for the year, diluted, DKK	(0.32)	0.50

* 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.

Notes to the financial statements (DKK thousands)

8 Intangible assets

	Development projects	Goodwill
Cost at 1 January 2014	44,566	46,113
Disposal	-	-
Cost at 31 December 2014	44,566	46,113
Amortisation and impairment at 1 January 2014	44,566	46,113
Amortisation	-	-
Impairment	-	-
Disposal	-	-
Amortisation and impairment at 31 December 2014	44,566	46,113
Carrying amount at 31 December 2014	**0**	**0**
Cost at 1 January 2013	44,566	46,113
Disposal	-	-
Cost at 31 December 2013	44,566	46,113
Amortisation and impairment at 1 January 2013	44,566	46,113
Amortisation	-	-
Impairment	-	-
Disposal	-	-
Amortisation and impairment at 31 December 2013	44,566	46,113
Carrying amount at 31 December 2013	**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 two development programmesseridopidine and ordopidine, which NeuroSearch acquired in connection with the acquisition of Carlsson Research in 2006. The assets have been assessed relative to the net sales price. It is not possible to estimate a reliable sales price, and goodwill and the development projects have consequently been written down to DKK 0.

No reason has been found as to wind back write downs made at an earlier stage.

Notes to the financial statements (DKK thousands)

9 Property, plant and equipment

	Plant and machinery	Other plant and equipment
Cost at 1 January 2014	0	0
Disposals	-	-
Cost at 31 December 2014	0	0
Depreciation and impairment at 1 January 2014	0	0
Disposals	-	-
Depreciation and impairment at 31 December 2014	0	0
Carrying amount at 31 December 2014	**0**	**0**
Cost at 1 January 2013	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
Depreciation and impairment at 1 January 2013	121,280	21,821
Disposals	121,280	21,821
Depreciation and impairment at 31 December 2013	0	0
Carrying amount at 31 December 2013	**0**	**0**

10 Investments in associates 2014

								NeuroSearch A/S's share		
Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/(loss)	Equity	Profit/-(loss) before tax	Net profit/-(loss)
NsGene A/S	Ballerup	26.8	14,357	(744)	21,968	16,358	9,581	(199)	(2,568)	(2,568)
				(744)			**9,581**	**(199)**	**(2,568)**	**(2,568)**
Adjustment of prior-year profit/(loss) of associates								199	2,568	2,568
Recognised value of investments in associates								**0**	**0**	**0**

Investment in associates 2013

								NeuroSearch A/S's share		
Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/(loss)	Equity	Profit/(loss) before tax	Net profit/(loss)
NsGene A/S	Ballerup	26.8	14,357	(10,324)	6,290	17,300	4,878	(2,764)	1,306	1,306
				(10,324)			**4,878**	**(2,764)**	**1,306**	**1,306**
Reversal of share of negative net asset value in associates								2,764	(1,306)	(1,306)
Recognised value of investments in associates								**0**	**0**	**0**

Notes to the financial statements (DKK thousands)

11	Available-for-sale financial assets	2014	2013
	Fair value at 1 January	-	-
	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

		2014	2013
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.

* The fair value determination for Atonomics A/S is at Level 3 of the fair value hierarchy. The valuation models are primarily based on unobservable inputs.

12	Available-for-sale property, plant and equipment	2014	2013
	Available-for-sale property, plant and equipment at 1 January	0	111,000
	Disposal	-	111,000
	Available-for-sale property, plant and equipment at 31 December	**0**	**0**

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.

13	Other receivables	2014	2013
	Prepaid costs*	338	139
	Other receivables	295	1,975
	Total	**633**	**2,114**

Loan to Saniona ApS	2014	2013
Fair value at 1 January	2,500	2,500
Fair value at 31 December	**2,500**	**2,500**
Depreciation and impairment at 1 January	2,500	2,500
Depreciation and impairment at 31 December	**2,500**	**2,500**
Fair value at 31 December	**0**	**0**

* Prepaid costs concern insurance, subscriptions, etc.

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 2014, there were no indications of impairment of other receivables.

Notes to the financial statements (DKK thousands)

14	Cash and cash equivalent	2014	2013
	Deposit	73,000	-
	Money market accounts	10,397	88,845
	Total	**83,397**	**88,845**

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.

15	Fees to auditors appointed at the Annual General Meeting	2014	2013
	Audit	250	250
	Other assurance engagements		-
	Tax advice	215	258
	Non-audit service	321	300
	Total	**786**	**808**

16 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 1.4 million (2013: DKK 1.5 million) was paid to Kromann Reumert for work performed for NeuroSearch as the Company's lawyer.

For information on remuneration paid to the members of the Executive Management and the Board of Directors, please see note 2 “Staff”.

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

17 Contingent assets, contingent liabilities and commitments

Contingent assets
The Group has an unrecognised potential deferred tax asset of approximately DKK 491 million (2013: DKK 500 million). See note 5 for a breakdown of the tax asset.

In addition, the Company has minor potential revenues from agreements entered into regarding some early-stage research projects classified as discontinued operations in the research division NsDiscovery back in 2011 and 2012.

Contingent liabilities
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.
There are no change-of-control clauses in the contracts with the members of the Executive Management.

Notes to the financial statements (DKK thousands)

18 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 2014, 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.

	2014		2013	
	Fluctuation	**Effect**	**Fluctuation**	**Effect**
EUR	+/- 2%	3	+/- 2%	16
GBP	+/- 5%	9	+/- 5%	52
SEK	+/- 5%	28	+/- 5%	167
USD	+/- 10%	0	+/- 10%	77

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.

Notes to the financial statements (DKK thousands)

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	1,021	-	-	-	1,021	1,021	1,021
Other liabilities	5,295	-	-	-	5,295	5,295	5,295
Total financial liabilities at 31 December 2014	**6,316**	**0**	**0**	**0**	**6,316**	**6,316**	**6,316**
Loans and receivables							
Investments at fair value	-	-	-	-	0	0	0
Other receivables	633	-	-	-	633	633	633
Cash	83,397	-	-	-	83,397	83,397	83,397
Total financial assets at 31 December 2014	**84,030**	**0**	**0**	**0**	**84,030**	**84,030**	**84,030**
Net total at 31 December 2014	**77,714**	**0**	**0**	**0**	**77,714**	**77,714**	**77,714**
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							
Investments at fair value	-	-	-	-	0	0	0
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**

* 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 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 2014 and 2013.

The investment in Atonomics A/S is included in assets available for sale. It is not possible at the present time to calculate or estimate the timing of any future cash flows from the shares, for which reason level 3 measurement is applied and the shares have been valued at DKK 0.

Notes to the financial statements (DKK thousands)

19 Adjustments

	2014	2013
Gain from divestment of intellectual property	-	(28,756)
Losses/gains on sales of tangible assets	-	(11,809)
Financial income and expenses	(2,707)	(5,138)
Share-based payment	-	282
Tax for the year	(1,250)	(1,250)
Currency adjustment	17	(5,725)
Total	**(3,940)**	**(52,396)**

20 Events after the balance sheet date

NeuroSearch signed an agreement with Saniona ApS and Janssen Pharmaceutica NV in 2012 under which NeuroSearch's research and partnership agreement with Janssen was transferred to Saniona. In February 2015, Saniona and Janssen informed NeuroSearch that the research and partnership agreement has been terminated, for which reason NeuroSearch will no longer potentially receive future milestone payments from it. The terminated agreement has no effect on NeuroSearch's financial statements for 2014.

Other than as stated above, no events have occurred after the end of the financial year that may have a material impact on the financial statements.

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 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 19-22 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 16 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		2014	2013
	Revenue	-	-
	Total revenue	**-**	**-**
	Gain on divestment of intellectual property	746	29,805
	Total other income	**746**	**29,805**
1	Development costs	-	21,384
1	General and administrative costs	12,979	5,807
	Total costs	**12,979**	**27,191**
	Operating profit/(loss)	**(12,233)**	**2,614**
6	Share of profit/(loss) of subsidiaries after tax	(4,529)	2,972
6	Share of profit/(loss) of associates	-	-
2	Financial income	8,775	7,015
3	Financial expense	1,005	1,493
	Total financials	**(3,241)**	**8,494**
	Profit/(loss)	**(8,992)**	**11,808**
4	Tax on profit/(loss) for the year	1,250	1,250
	Net profit/(loss)	**(7,742)**	**12,358**
	Allocation of loss		
	Reserve for net revaluation according to the equity method	0	0
	Retained earnings	(7,742)	12,358
		(7,742)	**12,358**

No dividend has been paid during this or earlier reporting periods

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2014	2013
5	Tangible assets	-	-
6	Investments in subsidiaries	5,300	-
6	Investments in associates	-	-
7	Available-for-sale financial assets	-	-
	Total fixed assets	**5,300**	**0**
8	Available-for-sale property, plant and equipment	-	-
9	Other receivables	625	2,049
4	Tilgodehavende skat	-	1,250
10	Cash	83,282	88,626
	Total current assets	**83,907**	**91,925**
	Total ASSETS	**89,207**	**207,086**

Note	EQUITY AND LIABILITIES	2014	2013
	Share capital	24,554	24,554
	Reserve for currency translation	13,740	16,233
	Retained earnings	369,420	47,163
	Total equity	**77,714**	**87,650**
15	Provisions	-	136
	Total provisions	**0**	**136**
	Trade and other payables	978	1,126
	Payables to Group companies	5,246	-
	Other liabilities	5,269	2,713
	Total current liabilities	**11,493**	**3,839**
	Total liabilities	**11,493**	**3,839**
	Total EQUITY and LIABILITIES	**89,207**	**91,925**

11 Fees to auditors appointed at the Annual General Meeting
12 Related parties
13 Contingent assets, contingent liabilities and commitments
14 Financial risks
16 Discontinued operations

Statement of movements in equity (DKK thousands)

	Share capital	Reserve for currency translation	Retained earnings	2014 total	2013 total
Equity at 1 January	**24,554**	**16,234**	**47,162**	**87,950**	**81,052**
Foreign exchange adjustment of net investment in foreign subsidiary	-	(2,494)	-	(2,494)	(5,742)
Net profit/(loss)	-	-	(7,742)		12,358
Employee warrant programme:					
- costs of share-based payment	-	-	-	0	282
Equity at 31 December	**24,554**	**13,740**	**39,420**	**77,714**	**87,950**

Share capital	2010	2011	2012	2013	2014
Share capital at 1 January	487,590	491,079	491,079	24,554	24,554
Equity issues	-	-	-	-	-
Capital reduction	-	-	(466,525)	-	-
Exercise of warrants	3,489	-	-	-	-
Share capital at 31 December	**491,079**	**491,079**	**24,554**	**24,554**	**24,554**

The total number of shares is 24,553,947 (2013: 24,553,947) with a nominal value of DKK 1 each (2013: DKK 1 per share). All issued shares are fully paid up. All shares carry the same rights.

Notes to the financial statements (DKK thousand)

1	Staff	2014	2013
	Breakdown of staff costs:		
	Salaries and wages	1,945	22,732
	Share-based payment	-	282
	Pension	213	1,528
	Board fee	1,000	1,433
	Social security costs	8	109
	Other staff costs	2	440
	Total	**3,168**	**26,524**
	Recognised in:		
	Research costs	-	1,105
	Development costs	-	12,619
	General and administrative costs	3,168	12,800
	Total	**3,168**	**67,173**
	Average number of employees	2	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.

2	Financial income	2014	2013
	Interest income	234	2
	Intercompany interest income	374	834
	Net foreign exchange adjustments	8,167	5,849
	Net fair value adjustment of financial assets measured at fair value through profit or loss	-	330
	Total	**8,775**	**7,015**

3	Financial expense	2014	2013
	Interest expense	-	1,010
	Intercompany interest expense	1,005	483
	Total	**1,005**	**1,493**

4	Tax (DKK million)	2014	2013
	Calculated tax on the year's loss		-
	Tax credit received	(1)	(1)
	Change in deferred tax	-	-
	Tax on the year's loss	**(1)**	**(1)**

As of 31 December 2014, the parent company had tax losses carried forward of approximately DKK 1,573 million which can be carried forward indefinitely. In addition, the parent company had temporary net deductible differences of approximately DKK 210 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:	2014	2013
Tax on pre-tax loss	2	(3)
Share of profit/(loss) of subsidiaries and associates	(1)	1
Non-taxable income and other tax-deductible costs	(2)	-
Adjustment of deferred tax for prior years	-	(2)
Effect of tax rate change	-	(54)
Change in deferred tax asset (increase of potential tax asset)	**(1)**	**(58)**

Breakdown of unrecognised deferred tax assets:	2014	2013
Tax losses carried forward (available indefinitely)	1,573	1,312
Research and development costs	130	269
Rights	-	120
Non-current assets	54	54
Patent costs	-	4
Other	26	26
Total temporary differences	**1,783**	**1,785**
Calculated potential deferred tax asset at local tax rate	392	393
Write-down of deferred tax asset	(392)	(393)
Recognised deferred tax asset	**0**	**0**

Notes to the financial statements (DKK thousands)

5	Property, plant and equipment	Land and build-ings	Plant and ma-chinery	Other plant and equip-ment	2014 total	2013 total
	Cost at 1 January	0	0	0	0	136,930
	Disposals	-	-	-	0	136,930
	Cost at 31 December	0	0	0	0	0
	Depreciation and impairment at 1 January	0	0	0	0	136,930
	Disposals	-	-	-	0	136,930
	Depreciation and impairment at 31 December	0	0	0	0	0
	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*

6	Investments in subsidiaries and associates	Subsidiaries		Associates	
		2014	2013	2014	2013
	Cost at 1 January	335,913	338,700	64,744	98,492
	Contribution recognised in the investment	12,569	7,213	-	-
	Disposals	-	-	-	(33,748)
	Cost at 31 December	348,482	335,913	64,744	64,744
	Amortisation and impairment at 1 January	(396,390)	(393,620)	(64,744)	(98,492)
	Net profit/(loss)	(4,529)	2,972	-	-
	Foreign exchange adjustment	(2,494)	(5,742)	-	-
	Reversal of amortisation and impairment on disposals	-	-	-	33,748
	Amortisation and impairment at 31 December	403,413	(396,390)	(64,744)	(64,744)
	Offset against receivables	60,231	60,341	-	-
	Provisions for negative equity	60,231	136	-	-
	Transfer for offset against receivables or provisions at 31 December		60,477	0	0
	Carrying amount at 31 December	**5,300**	**0**	**0**	**0**

Accumulated amortisation and impairment of goodwill and development projects totalled DKK 91 million at 31 December 2014 (2013: DKK 91 million).

The carrying amount of intangible assets in connection with acquisitions was DKK 0 million at 31 December 2014 (2013 DKK 0 million). For information regarding the impairment test of the carrying amount of intangible assets, see note 8 to the Consolidated Financial Statements.

Subsidiaries:

Name	Registered office	Owner-ship	Share capital	Equity	Assets	Revenue	Net Profit/(los
NeuroSearch Sweden AB	Gothenburg	100	1,980	5,300	5,358	-	(4,647)
Poseidon Pharmaceutical A/S	Hellerup	100	10,500	63,822	63,837	-	143
NsExplorer A/S	Hellerup	100	564	(3,602)	6	-	(25)

The specification of associates is identical to that of the Group, and reference is therefore made to note 10 to the Consolidated Financial Statements.

Notes to the financial statements (DKK thousands)

7 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 11 to the Consolidated Financial Statements.

8 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 12 to the Consolidated Financial Statements.

9 Other receivables

Other receivables	2014	2013
Prepaid costs*	338	139
Other receivables	287	1,910
Total	**625**	**2,049**

* Prepaid costs concern leasing, insurance, subscriptions, etc.

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 2014, there were no indications of impairment of other receivables.

10 Cash

Cash	2014	2013
Deposits	73,000	-
Money market accounts	10,282	88,626
Total	**83,282**	**88,626**

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.

11 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 15 to the Consolidated Financial Statements for the statement for the Group.

12 Related parties

The specification for the parent company is identical to that of the Group, and reference is therefore made to note 16 to the Consolidated Financial Statements.

Notes to the financial statements (DKK thousands)

13 Contingent assets, contingent liabilities and commitments

Contingent assets
The parent company has an unrecognised deferred potential tax asset of DKK 393 million (2013: DKK 393 million). See note 4 for a breakdown of the tax asset.

Contingent liabilities

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.

14 Financial risks

See information in the Consolidated Financial Statements note 18.

15 Provisions

Provisions	2014	2013
Provisions at 1 January	136	7,313
Additions	-	-
Disposal	-	6,517
Reversal	136	660
Provisions at 31 December	**0**	**136**

Breakdown of provisions at 31 December:

Provision for negative equity in subsidiaries (see note 6)	-	136
Total	**0**	**136**

16 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®.

	2014	2013
Revenue	746	1,049
Profit/(loss) for the period	768	11,872
Intangible and tangible assets	0	0
Currents assets	0	0
Provisions	0	0