NeuroSearch

Annual Report 2012

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To our shareholders and other stakeholders

Dear shareholder

2012 was yet another difficult year for NeuroSearch. The company's focus was primarily directed towards financing of the continued development of Huntexil® either in the form of a partner agreement or as a capital increase. None of these options succeded. Instead our efforts ultimately resulted in an agreement with Teva Pharmaceutical Industries Ltd. (Teva) concerning the continued development of Huntexil®.

To the extent that financing was available, we continued the development of Huntexil® in 2012, including the open clinical programmes in Europe and the US (compassionate use and Open-HART). Both programmes offer continued treatment to Huntington patients, who previously participated in clinically controlled studies and who have wished to continue their treatment. There has been considerable interest among patients to participate in these studies which demonstrates the great need for new drugs for the treatment of Huntington's disease.

In May, we reported data from a multiple ascending dose study in which ascending doses of Huntexil® was tested in order to evaluate the drug's side effect profile and the effect on the QT interval at higher doses than those previously investigated. The study demonstrated that Huntexil® was safe in the dose we had planned for the next phase III study. But it also showed that we had to make changes to the inclusion criteria for patients in the open programmes in Europe and USA as well as for future studies.

As mentioned, an important part of the year was influenced by our efforts to raise capital for the further development of Huntexil®. Since mid-2011, we had investigated the possibility of finding a partner for the rights outside of Europe. In the first half of 2012, we had to recognise that this path was not feasible, and we therefore decided to offer the global rights to Huntexil® for sale. During this process, we were in contact with a significant number of medium-sized and large pharmaceutical companies to investigate the interest for Huntexil®.

We also investigated the possibility of a capital increase among the shareholders, but had to ascertain that the preliminary interest among shareholders and investors was not sufficient to succeed with a capital increase under the difficult conditions at the financial markets in 2012.

Instead, in September 2012, we succeeded in signing an agreement with Teva regarding the sale of the full Huntexil® project. The agreement was approved by the shareholders in October. It was a great relief for us to find a good home for the Huntexil® project to ensure the best possible conditions for further development of a pharmaceutical drug for the benefit of patients and their relatives all over the world. The agreement with Teva was our last and only possibility to create value for shareholders.

On 1 September 2012, we transferred the ongoing research collaboration with Janssen Pharmaceutica as well as a number of early projects to the company Aniona. The agreement with Aniona made it possible to continue many years of NeuroSearch research even though NeuroSearch did not have the financial resources to further develop these early research projects. The agreement also implies a possible future profit to NeuroSearch.

It is indeed with very mixed feelings that I look back on the year 2012. The hope of a breakthrough for a continued in-house development of Huntexil® disappeared. But on the other hand, the agreement with Teva showed that the many years of work of developing a pharmaceutical for the treatment of Huntington's disease was meaningful – and this view was shared by Teva. With the agreement, we hope to have contributed to Huntexil® reaching the global market to the benefit of patients suffering from Huntington's disease.

Last but not least, I want to thank all employees for having kept their enthusiasm for Huntexil® and their belief in the project's future with a new owner during a difficult period. Sometimes it has been hard, but I am proud of the efforts behind the fact that we succeeded with the agreement with Teva, and I am sure that we will succeed with the same professional efforts in our transfer of Huntexil® to Teva.

While we are transferring the Huntexil® project to Teva, the Board of Directors and the Executive Management are evaluating the possibilities to maximise the value of the remaining assets which consist of several clinical projects, investments in associates, laboratory and office equipment, and a tax asset. A solvent liquidation of the company is also being evaluated.

We will provide an update on the Annual General Meeting.

René Schneider
CEO

Financial
Highlights

Financial highlights for the group (DKK million)*

Income statement and comprehensive income	2008	2009	2010	2011	2012
Revenue	66.8	84.6	-	-	120.7
Research cost	216.8	217.0	-	-	-
Development cost	176.9	184.6	144.4	259.1	457.2
General and administrative cost	39.1	38.8	23.2	123.4	(46.7)
Operating profit/(loss)	(366.0)	(355.8)	(167.6)	(382.5)	(289.8)
Net financials	(49.9)	24.6	21.8	33.5	(37.2)
Profit/(loss) of continuing operations before tax	(415.9)	(331.2)	(145.8)	(349.1)	(327.1)
Net profit/(loss) of discontinued operations	-	-	(160.4)	(329.3)	57.4
Profit/(loss) for the period	(382.0)	(287.1)	(259.0)	(678.4)	(275.6)
Comprehensive income	(444.5)	(276.9)	(216.7)	(694.8)	(243.5)
Balance sheet					
Total assets	1,245.8	1,630.0	1,391.5	840.8	207.5
Cash and cash equivalents and securities	453.4	808.5	480.6	220.6	**81.4
Equity	844.1	1,173.8	994.1	320.6	81.1
Investments					
Investments in property, plants and equipment	50.3	19.8	10.8	3.6	-
Per share ratios* (DKK)**					
Earnings per share	(24.47)	(16.39)	(10.56)	(27.63)	(11.22)
Diluted earnings per share	(24.47)	(16.39)	(10.56)	(27.63)	(11.22)
Net asset value	53.61	48.15	40.49	13.06	3.30
Market price at year-end	136.0	77.0	95.0	17.7	3.74
Market price/net asset value	2.54	1.60	2.35	1.36	1.13
Average number of employees	242	235	235	222	88
Number of employees at 31 December	237	226	243	189	26

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

** *In connection with the agreement with Teva, DKK 28.7 million were placed in escrow which will be released no earlier than six months from 25 October 2012. The escrow is not included in cash and cash equivalents and securities.*

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

Pipeline
and other assets

NeuroSearch does neither carry out research nor development on the company's drug candidates. The most important assets and license agreements still present in NeuroSearch are listed below.

Pipeline

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

License agreements

Agreements	Value and conditions
Teva	NeuroSearch is entitled to: • Escrow: DKK 28.7 million will be received upon satisfactory transfer of Huntexil® project to Teva Pharmaceuticals • 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 EU/EFTA DKK 16.5 million.
Aniona ApS	NeuroSearch is entitled to: • Part of the future milestone payments from Janssen to Aniona • Royalties from future revenues from the clinical programmes NSD-788 and NSD-721 • A one-off payment upon initiation of first clinical trial with any other projects transferred from NeuroSearch.

Associated companies

Associated company	Ownership
NsGene	NeuroSearch holds 26.8% of the shares in NsGene
Atonomics	NeuroSearch holds 17.8% of the shares in Atonomics

Shareholder information

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

Share price and market cap performance in 2012

On 28 December 2012, the closing price of the NeuroSearch share was DKK 3.74, compared with a year-end closing price of DKK 17.7 in 2011, equivalent to a 78.9% decrease.

In 2012, NeuroSearch was included in the NASDAQ OMX Copenhagen SmallCap, which decreased by 5.4%. By comparison, the NASDAQ OMX Copenhagen 20 Index increased by 27.2% in 2012.

At the Annual General Meeting 2012, NeuroSearch gave an update relating to the financing of Huntexil® and informed the general meeting that the company would investigate both the possibility of a capital increase and a partnership agreement covering the global rights to Huntexil®. At the same time, NeuroSearch made it clear that a clarification regarding the financial situation was necessary for the continuation of the company.

In May 2012, NeuroSearch informed the market that the Public Prosecutor for Serious Economic Crime had filed charges against the company for alleged share price manipulation in 2010. NeuroSearch denies the charges.

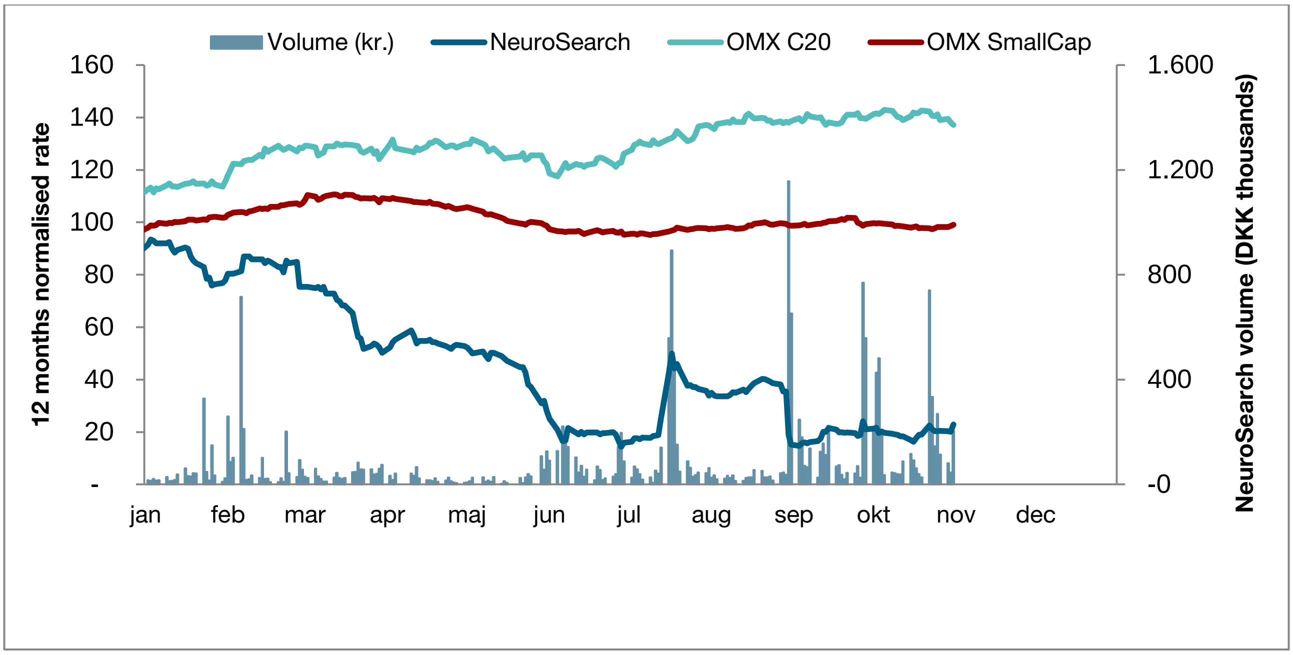
Also in May 2012, NeuroSearch reported the final data from the dose ascending study with Huntexil®, in which the drug was given in higher doses than previously in order to ascertain possible side effects. The highest tolerated dose was 90 mg twice daily, but at 67.5 mg and 90 mg (both twice daily) a QT prolongation was seen. This caused some changes in the criteria for the selection of patients for the next phase III study. Data also confirmed that the applied dose of 45 mg twice daily in MerimaiHD and HART as well as in the open studies was well-tolerated.

During August 2012, it became clear to NeuroSearch that it would not be possible to enter into a partnership agreement regarding Huntexil® and together with the company's financial advisers it was deemed unlikely to succeed with a capital increase. Therefore, the carrying amount of Huntexil® was impaired in the company's interim report for the first half of 2012. In September it showed possible to reach an agreement with Teva regarding the sale of the full Huntexil® project. The agreement was approved by NeuroSearch shareholders and concluded by the end of October 2012.

The work of transferring the project to Teva was immediately initiated and is now, at the beginning of February, very advanced. The transfer of the project is expected to be fulfilled in April 2013.

Aniona Aps was founded in November 2011 by a number of leading employees from the former research division, NsDiscovery, following the restructuring of NeuroSearch which was announced in September 2011. Effective from 1 September 2012, the research agreement signed by Janssen Pharmaceutica and NeuroSearch in 2009 was transferred to Aniona which at the same time took over full responsibility of 12 employees transferred from NeuroSearch. Concurrently, the two clinical projects, NSD-788 and NSD-721, as well as a number of preclinical projects were conditionally transferred to Aniona. Aniona is to pay royalties to NeuroSearch of all future revenues from NSD-788/NSD-721, as well as a modest one-off payment at the initiation of clinical studies with one of the other projects just as NeuroSearch is eligible to part of the option payment which Aniona might receive from Janssen. The royalty payments will decline over a number of years. NeuroSearch has granted a loan of EUR 340.000 (DKK 2.5 million) for the operations of Aniona and has made facilities and administrative support available for Aniona for a limited period of time.

Share price performance in 2012



Turnover

In 2012, the turnover of NeuroSearch shares totalled DKK 153 million, equivalent to an average daily turnover of DKK 615 thousand. A total of 22.2 million shares were traded (90%) during the year. I 2011, total turnover in the share was DKK 681 million corresponding to a daily turnover of DKK 2.7 million and a total number of shares traded of approximately 14.3 million (58%).

Latest share price and market capitalisation

From the turn of the year and until 7 February 2013, the NeuroSearch share price and market capitalisation have been essentially unchanged.

The market capitalisation for NeuroSearch was DKK 97.7 million at 7 February 2013.

Share capital

At the Extraordinary General Meeting held on 20 February 2012, the company's share capital was reduced from DKK 491,078,940 to DKK 24,553,947 distributed on 24,553,947 shares of DKK 1 nominal value each.

Ownership structure

On 28 December 2012, NeuroSearch had 21.589 registered shareholders, who held a total of 18.545.780 shares. This corresponds to 76% of the total outstanding share capital registered in the company's register of shareholders. In 2012, the number of registered NeuroSearch shareholders decreased by 2,070, but at the same time the registered share capital remained was unchanged at 76%.

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:

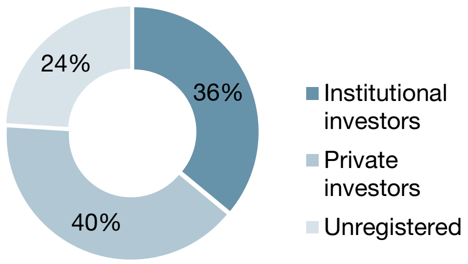
- **Luxor Capital Group**, LP, 1114 Avenue of the Americas, 29th Floor, New York, NY 10036, USA
- **Porter Orlin LLC**, 666 5th Avenue # 3403, New York, NY 10103-3402, USA

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

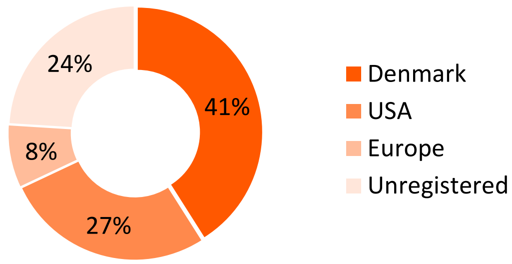
- **Glaxo Group Limited**, Berkeley Ave., Greenford, Middlesex, UB6 0NN, United Kingdom
- **ATP**, Kongens Vænge 2, DK-3400 Hillerød, Denmark

NeuroSearch will not pay dividends for 2012.

Distribution of shares by investor types



Distribution of shares geographically



Financial calendar for 2013
The Annual General Meeting will be held on Wednesday, 20 March 2013 at 6 pm (local time) at the Radisson Blu Falconer Hotel & Conference Center, Falkoner Allé 9, DK-2000 Frederiksberg, Copenhagen, Denmark.

Financial reporting for 2013
20 March 2013
Annual General Meeting

25 April 2013
Interim report for Q1 2013

29 August 2013
Interim report for H1 2013

14 November 2013
Interim report for Q1-Q3 2013

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

Investor relations
It is our aim to maintain open, efficient and dynamic communications with the investor market, including in particular with our shareholders, potential investors, equity analysts and the press in Denmark and abroad. As part of this objective, we strive to provide easy access to relevant information and to a dialogue with management regarding the company's business and financial performance, as well as its strategy and goals.

The purpose of an efficient communications and information policy is to give NeuroSearch stakeholders the best possible basis for assessing the company's activities and future prospects.

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 at the NASDAQ OMX Copenhagen. Thus, our most important communications tools are company announcements and press releases issued via the NASDAQ OMX Copenhagen distribution service. Following public release, all news releases are posted on our website. Further, direct contact and dialogue with all investor market stakeholders is very important.

IR activities
In the course of 2012, NeuroSearch held a number of meetings with investors and equity analysts in the US and Europe. Furthermore, NeuroSearch presented the company at a private investor conference in Denmark.

Website
Our website (www.neurosearch.com) is kept updated in order for our shareholders and other stakeholders to obtain a full overview of the developmental status and the prospects for the entire company at all times.

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

Risk management in NeuroSearch reflects that the most important activity for the company is to transfer the Huntexil® project to Teva and that the company no longer performs active research or drug development activities. Thus, a number of risks related to development and commercial aspects previously relevant for the company, are now of no relevance.

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.

Capital resources

With the sale of the Huntexil® project to Teva, NeuroSearch significantly improved the company's cash position and Management estimates the capital resources to be sufficient to meet all present obligations.

In parallel with a diligent transfer of the Huntexil® project to Teva, the Board of Directors and the Executive Management will evaluate the options for value maximisation of the assets which remain within the company, including some clinical projects, potential future royalties and milestone payments, laboratory and office equipment, investments in associates and a tax asset.

Management of selected risk areas

Compliance with regulatory requirements

In light of the restructuring of NeuroSearch in the autumn 2011 and a number of inspections relating to all GXP areas in 2012, the scope of the new quality management system (QMS) simplified and adjusted to the changed business. The simplified quality system, CompliaNS Lite, was implemented on an ongoing basis in 2012. The QMS system has functioned in parallel with existing processes to ensure quality in the continued business.

Securing the company's operations and assets

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

Main elements of internal control and risk management systems in relation to the financial reporting process in NeuroSearch

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

Corporate social Responsibility (CSR)

2012 was yet another year with considerable changes at NeuroSearch, and the company had to say goodbye to a significant number of employees. As a consequence of the restructuring, several activities have been abandoned. We have resigned from UN Global Compact and no longer comply with the aim of submitting a Communications On Progress (COP) report, and our reporting is merely included in our Annual Report. NeuroSearch has not due to the size of the company and the level of activities adopted any policies on the corporate social responsibility.

In connection with the staff reductions, it was our aim to treat all employees in a fair and respectful way. Most dismissed employees were offered career counseling and a large part of the dismissed employees went directly on to new jobs in other companies. This meant that the organisational change went faster than originally planned. In September 2012, the collaboration agreement between NeuroSearch and Janssen was transferred to Aniona, which at the same time took over the full responsibility of 12 employees transferred from NeuroSearch. Aniona has had physical facilities at their disposal from NeuroSearch as well as various kinds of administrative assistance.

The considerable reduction of activities in NeuroSearch has made laboratory and office equipment etc. redundant. NeuroSearch intends to put equipment of commercial value up for sale while remaining equipment has been or will be given away amongst others to educational institutions.

Work environment

The physical, chemical and biological work environment has been simplified concurrently with the reduction of the activities in NeuroSearch. Aniona, which is doing research, has received assistance from NeuroSearch in these areas relating to transfer of various permits necessary for the research work. In this way, NeuroSearch has also ensured a secure close-down of laboratory activities which more specifically has included removal of chemicals, disinfection of all areas having been used for gene modified organisms as well as waste handling complying with rules and regulations.

NeuroSearch had expected that the mental work environment would have been under considerable pressure in connection with the employee reduction. However, the result of a survey at the beginning of 2012 showed that the overall mental work environment was at a satisfactory level, while only a few areas obtained low scores. Action plans and follow-up have been made for these areas amongst others with consultancy advice from a business psychologist.

Animal welfare

NeuroSearch no longer conducts animals tests.

Environment and climate

The company's objective was to reduce the total CO_2 emission by 60% in 2012 compared to 2011. It was the original plan to close down one third of the company's activities on 1 September 2012, but as Aniona was offered to continue its activities in the NeuroSearch building, the planned reduction of 60% could not be reached.

With a change from natural gas to district heating of the building in August 2011, a reduction of 62% was achieved.

The company's consumption of electricity contributes with a CO_2 emission nine times higher than the emission relating to the district heating. The consumption of electricity is reduced with 29% from 2011 to 2012.

In total, CO_2 emission relating to heating and electricity was reduced by 35% from 2011 to 2012.

Financial review

The Annual Report 2012 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.

Liquidity and capital resources

As at 31 December 2012, cash and cash equivalents, including securities, totalled DKK 81 million. In additional Teva placed DKK 28.7 million in escrow in connection with the assets transfer agreement, which will be released upon satisfactory project transfer of the Huntexil® project, however, not earlier than six month from 25 October 2012. Furthermore, NeuroSearch is entitled to potential milestone payments from Teva of up to DKK 55.1 million distributed as follows:

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

Income statement

In 2012, the group posted an operating loss on continuing operations of DKK 290 million (2011: DKK 383 million). This was in line with our guidance of a loss in the region of DKK 290 million.

NeuroSearch posted an after tax loss on continuing operations of DKK 333 million (2011: DKK 349 million).

Revenue

In 2012, the group generated a revenue of DKK 121 million (2011: DKK 0 million) from the sale of the Huntexil® project to Teva.

Costs

Consolidated costs totalled DKK 411 million (2011: DKK 383 million) of which development costs totalled DKK 457 million (2011: DKK 259 million). The development costs were primarily attributable to the Huntexil® development programme and a one-off cost of DKK 386 million with no cash effect regarding the impairment of Huntexil® and contingent payments to the sellers of Carlsson Research. Development costs include salaries, external development costs and a portion of the fixed costs. Adjusted for one-off costs, development cost declined from DKK 89 million in 2011 to DKK 71 million in 2012 primarily driven by the reduction in the numbers of employees and fewer external development costs.

General and administrative costs declined from DKK 123 million in 2011 to an income of DKK 47 million in 2012. In connection with the contingent sale of land and building at the price of DKK 112.5 million, part of the former write-down from 2011 of DKK 99 million was reversed by DKK 59 million in 2012. The reversal of the write-down has no cash effect. Adjusted for the reversal of the write-down, general and administrative costs were DKK 12 million compared to DKK 24 million in 2011. As a consequence of the major restructuring which NeuroSearch initiated in the autumn of 2011, the fixed costs were reduced significantly.

Adjusted for one-off costs with no cash effect, the total cost amounts to DKK 84 million (2011: 113 million).

Net financials

Financials amounted to net expenses of DKK 37 million (2011: net income of DKK 34 million) including a financial income of DKK 4 million in 2012 (2011: DKK 17 million) and financial costs of DKK 40 million (2011: DKK 10 million) of which DKK 27 million relate to the interest swaps which were released from the equity in to the financial expenses when NeuroSearch in May 2012 put the company's land and building up for sale via an external real estate agent, DKK 6 million relate to other interest expenses, DKK 5 million to net foreign exchange rate adjustments and DKK 2 million to the financial element of contingent considerations.

The NeuroSearch Group's shares of results of associates – NsGene A/S and Atonomics A/S – recognised in the income statement totalled a loss of DKK 1 million (2011: an income of DKK 27 million, of which DKK 33 million represented an income from the divestment of Sophion Bioscience A/S).

Income taxes

The NeuroSearch Group has potential tax assets of DKK 518 million (2011: DKK 646 million), of which DKK 0 million relating to NeuroSearch Sweden AB has been recognised and offset in the deferred tax liability relating to the activities of NeuroSearch Sweden AB. The tax assets have not been recognised in the balance sheet as sufficient certainty has not been established as to whether the tax assets can be used for offset against future taxable income.

Discontinued operations

The result of discontinued operations was a profit of DKK 57 million (2011: a loss of DKK 329 million). In the Annual Report 2011 provisions were made for loss-making collaborations, including the contracts with Lilly and Janssen, write-downs of property, plant and equipment and intangible assets, salaries to redundant employees during the notice period and related infrastructure. In connection with the wind-down of the discontinued operations, it has been possible to close down related infrastructure more promptly than anticipated and the loss-making contracts have materialised more positively than budgeted.

On 31 August 2012, NeuroSearch signed an assignment agreement with Janssen Pharmaceutica NV and Aniona ApS regarding a transfer to Aniona of all of NeuroSearch rights and obligations under a research, development and commercialisation agreement between Janssen and NeuroSearch signed in August 2009. The research term of the agreement will expire in August 2013. The effective date of the assignment agreement was 1 September 2012.

In connection with the assignment agreement, NeuroSearch granted a loan of EUR 340,000 (DKK 2.5 million) to Aniona to cover the operations of Aniona. Furthermore, 12 former NeuroSearch employees were fully transferred to Aniona. NeuroSearch is entitled to receive part of the future option payments which Aniona may receive if Janssen exercises certain options under the research agreement.

Allocation of loss

It is proposed that the year's consolidated loss of DKK 276 million be transferred to retained earnings.

Balance sheet

The balance sheet stood at DKK 208 million at 31 December 2012 (2011: DKK 841 million).

Non-current assets declined from DKK 571 million in 2011 to DKK 0 million in 2012. The changes relate to the impairment of the development project and the goodwill related to Huntexil® totalling DKK 518 million and reclassification of land and land and building with DKK 52 million in connection with the buildings being put up for sale in May 2012. As a consequence of the conditional agreement, part of the write-down from 2011 has been reversed by DKK 59 million and therefore available-for-sale property, plant and equipment amounted to DKK 111 million by the end of 2012. No investments in intangible assets and property, plant and equipment were made in 2012 (2011: DKK 4 million).

As the company is trying to sell off the investments in associates, these have also been reclassified from non-current assets to current assets.

NeuroSearch has not invested in associates in 2012 (2011: DKK 2 million).
Cash and cash equivalents including securities totalled DKK 81 million at 31 December 2012 (2011: DKK 221 million).

In the autumn of 2012, NeuroSearch redeemed the total interest swap and the total debt related to financial leases and made an extraordinary repayment on the mortgage debt with at total amount of DKK 49 million.

Mortgage debt stood at DKK 102 million at 31 December 2012 (2011: DKK 127 million).

Statement of cash flows

The cash flow from operating activities amounted to a cash outflow of DKK 56 million in 2012 compared to a cash outflow in 2011 of DKK 255 million. In the lower 2012 cash flow is included an income of DKK 121 million from the sale of the Huntexil® project to Teva as well as a lower level of business activities in general.

The cash flow from investing activities was a cash inflow of DKK 167 million in 2012 and DKK 308 million in 2011 and mainly derived from sales of securities.

The cash flow from financing activities was a cash outflow of DKK 84 million in 2012 compared to a cash outflow of DKK 44 million in 2011. In 2012, the company repaid and redeemed financial leases with DKK 22 million, interest swaps with DKK 27 million and mortgage debt was repaid and redeemed with DKK 24 million of which DKK 18 million was an extraordinary repayment.

Cash and cash equivalents hereafter amounted to DKK 60 million at 31 December 2012 (2011: DKK 33 million), and securities stood at DKK 21 million (2011: DKK 188 million), totalling DKK 81 million (2011: DKK 221 million). DKK 28.7 million were placed in escrow in relation with the Teva agreement and will be released six months from 25 October 2012 at the earliest. The escrow is not included in cash and cash equivalents and securities.

Statement of movements in equity

Equity was reduced by the consolidated loss for the year in the amount of DKK 276 million, of which DKK 57 million were attributable to a profit on discontinued operations, DKK 59 million were attributable to a reversal of the wirte-down on land and buildings from 2011 and an expense related to the impairment of Huntexil® with DKK 386 million. Equity stood at DKK 81 million at 31 December 2012 (2011: DKK 321 million).

Financial risks

For further details, please see the discussion under “Risk management and internal control” and information on financial risks stated in note 25.

Related parties

The members of the company’s Executive Management, Board of Directors, subsidiaries and associates are considered related parties. Associated companies are NsGene A/S and Atonomics A/S.

Events after the balance sheet date

On 4 February 2013, NeuroSearch signed a conditional agreement regarding the sale of the company’s land and building with completion on 1 June 2013 at a cash price of DKK 112.5 million. Reference is made to note 12 for further information regarding the sale. Except from the sale of the company's land and building, no material events have taken place after the balance sheet date.

Outlook for 2013

In 2013, NeuroSearch expects an operating loss of approximately DKK 15 million on the assumption of release of the escrow amount of DKK 28.7 million by Teva, upon satisfactory transfer of the Huntexil® project, and an unchanged size of the organisation throughout 2013. The expectations do not take into account any loss or profit arising out of a potential sale of NeuroSearch's remaining assets.

In parallel with the transfer of Huntexil® to Teva, the Board of Directors and the Executive Management are evaluating the possibilities to maximise the value of the remaining assets which consist of several clinical projects, investments in associates, laboratory and office equipment, and a tax asset. A solvent liquidation of the company is also being evaluated.

NeuroSearch will provide an update no later than 20 March 2013 when the Annual General Meeting is conducted.

Board of Directors

Allan Andersen

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

Member of the Board of Directors since May 1989, chairman of the Board of Directors since January 2013. 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.

Chairman of the Board of Directors of Nordicom A/S and Udviklingsselskabet af 01.08.1975 A/S, member of the Board of Directors of Greater Europe Deep Value Fund Ltd, Greater Europe Fund Ltd, GEF SPV Ltd and DVF1 SPV Ltd.

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 business.

Torbjörn Bjerke

Norwegian citizen, born 1962
Position: CEO, Karolinska Development AB

Member of the Board of Directors since April 2006. Torbjörn Bjerke is considered an independent Board member.

Chairman of the Board of Directors of Pergamum AB. Member of the Board of Directors in DBV Technologies S.A, Aprea AB and Axelar AB.

Special competencies: Torbjörn Bjerke holds more than 20 years' experience from the pharmaceutical industry, among others from positions as CEO, and holds experience with clinical development and the process around regulatory approvals.

Christian Lundgren

Danish citizen, born 1966
Position: Attorney-at-law and Partner at the lawfirm 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 is regularly engaged as the company's lawyer.

Member of the Board of Directors of Det Nissenske Familierfond.

Special competencies: Christian Lundgren holds many years of experience within counseling, restructuring and other transactions relating to listed companies and has intensive knowledge of the biotech business.

Lars Siim Madsen

Danish citizen, born 1970
Position: Vice President, Project & Portfolio Management, NeuroSearch A/S

Employee elected member of the Board of Directors since April 2004.

Morten Henrik Nielsen

Danish citizen, born 1963
Position: Director, IT, NeuroSearch A/S

Employee elected member of the Board of Directors for the period September to December 2012 and again since February 2013.

Executive Management

René Schneider

CEO
MSc. Econ.
(Born 1973, member of the Executive Management since 2011)

Chairman of the Board of NsGene A/S

Finn Eggert Sørensen

Executive Vice President & CBO
MSc. Pharm
(Born 1954, member of the Executive Management since 2004)

Karin Garre

Executive Vice President & CDO
MD
(Born 1957, member of the Executive Management since 2010)

Member of the Board of Directors of Stemcare Danmark A/S, Stemcare A/S and Lægernes Test Center A/S

Management structure

Corporate governance

Pursuant to the rules of NASDAQ OMX Copenhagen A/S, listed companies must state their position relative to the most recently updated “Corporate Governance Recommendations 2011”. This must be done applying the “comply or explain” principle. In accordance with the Danish Financial Statements Act, section 107b, NeuroSearch has prepared the statutory report on corporate governance which is available in full at the company’s website (www.neurosearch.com/Default.aspx?ID=8477).

Board of Directors

All members of the Board of Directors elected by the shareholders at the Annual General Meeting are elected for terms of one year, whereas employee elected members are elected for four-year terms. The latest employee election was held ahead of the Annual General Meeting and the new members joined the Board effective from this event.

Twenty-two Board meetings were held during 2012. The Board performs its duties in accordance with a written set of rules of procedure. The rules of procedure include rules on the allocation of powers and duties between the Board of Directors and the Executive Management and on minute books, the register of shareholders and other protocols.

Remuneration

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

The Chairman’s fee in respect of 2011 was DKK 900,000, and fees paid to each of the ordinary members amounted to DKK 300,000, equivalent to a total of DKK 3.0 million. The fee for 2012 was approved at the Annual General Meeting on 10 April 2012. For the period January to April 2012, the fee was the same as in 2011. As of 1 May 2012, the Chairman's fee was changed to a yearly fee of DKK 500,000 and to DKK 250,000 for ordinary Board members. Thus the Chairman received DKK 633,333 in 2012 and the ordinary Board members DKK 266,666, totaling DKK 2.5 million.

At the Annual General Meeting held on 10 April 2012, it was also decided that members of the Scientific Committee would receive a separate amount corresponding to an annual fee of DKK 100.000 as of 1 may 2012. Consequently, the three members of the Scientific Committee received DKK 66,666 each, totaling DKK 0.2 million for 2012. No separate fee applies for members of the Audit Committee.

The full annual Board fee for 2012 amounts to DKK 2.7 million.

At the Extraordinary General Meeting held on 4 January 2013, the Board composition was changed and the number of Board members was reduced from eight to five members of whom two are employee elected members. At a later Board meeting on 25 January 2013, it was decided to close down the Scientific Committee and in future, the duties of the Audit Committee will be performed by the entire Board.

Except for the members who are employees of NeuroSearch, and who receive their normal salaries in addition to their fees as Board members, the members of the Board of Directors do not receive any other remuneration from NeuroSearch. For information regarding the number of NeuroSearch shares and warrants held by the Board of Directors, see note 3 in the consolidated financial statement.

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
Denmark

Legal advisers

Kromann Reumert
Sundkrogsgade 5
DK-2100 København Ø
Denmark

Bank

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

Management's statement

The Board of Directors and Executive Management today considered and adopted the Annual Report of NeuroSearch A/S for the financial year 1 January - 31 December 2012.

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 2012 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 2012.

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.

Ballerup, 8 February 2013

Executive Management

René Schneider

René Schneider
CEO

Board of Directors

Allan Andersen
Chairman

Christian Lundgren

Lars Siim Madsen
Employee representative

Torbjörn Bjerke

Morten Henrik Nielsen
Employee representative

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 2012, page 19-55, 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 recognized 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 2012 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2012 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 2012 and of the results of the Company's operations for the financial year 1 January to 31 December 2012 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, 8 February 2013
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen
State Autoriser Public
Accountant

Brian Christiansen
State Autoriser 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, except for the elements described in the section below.

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

The financial statements of the parent company, NeuroSearch A/S, are presented in accordance with the provisions of the Danish Financial Statements Act. The financial statements are presented on pages 46-55, and the accounting policies are described on page 47.

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

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

The consolidated financial statements are presented in DKK, which is also the functional currency of the parent company.

Adoption of new standards
In the Annual Report 2012, NeuroSearch has applied all new and amended standards and interpretations that have come into force and been adopted by the EU with effect for the current financial year.

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

Amendment of IFRS 7 "Financial Instruments: Disclosures"
This amendment involves a change to the disclosure requirements regarding derecognition of financial instruments.
The implementation of the new and amended standards has not affected recognition or measurement.

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

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

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

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

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

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

The implementation of the new and changed standards has not had any impact on the recognition and measurement.

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

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

Amendment of IFRS 7 "Financial Instruments and Disclosures"
This amendment involves disclosure requirements regarding offsetting of financial assets and liabilities.

Annual Improvements (2009-2011)
This includes minor changes to a number of existing standards, among other clarification of requirements regarding comparative financial information.

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

They are deconsolidated from the date that control ceases.

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

All subsidiaries are consolidated:

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

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

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

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

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

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

For acquisitions made in financial years beginning on or after 1 July 2009, the cost of an operation is determined as the fair value of the agreed consideration. If part of the consideration is contingent on future events, such part of the consideration are included in cost at fair value.

Acquisition costs are expensed in the period in which they are incurred. Subsequent adjustments to the estimate of the amount of contingent consideration is recognised in the income statement.

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

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

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

Foreign currency translation
For each of the reporting companies in the group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are transactions denominated in foreign currencies. On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognised in the income statement under financial income or financial expense.

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

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

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

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

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

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

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

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

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

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

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

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

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

Leasing
Lease contracts under which substantially all risks and rewards incidental to ownership are transferred to the group are classified as finance leases. Assets held under finance leases are recognised in the balance sheet at the lower of the fair value and the net present value of the minimum lease payments at the inception of the lease, and the corresponding amount is included in liabilities. The present value of the future lease payments is calculated using the interest rate implicit in the lease. The lease payments are deemed to comprise interest and repayments. Interest is charged to the income statement. The assets are depreciated over their expected useful economic lives like other similar groups of assets or over the shorter lease term, and the liability is reduced by the repayment portion of the lease payment.

Lease payments for assets held under operating leases are charged to the income statement on a straight-line basis. Commitments under operating leases are disclosed in the notes to the financial statements.

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

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

INCOME STATEMENT

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

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

Research costs
Research costs include salaries, other costs, including patent costs, and depreciation attributable to the group's research activities. Research costs are expensed in the year in which they are incurred.

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

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

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

BALANCE SHEET

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

Development projects
Development projects acquired in connection with business combinations are measured at cost less accumulated depreciation and impairment.
After completion of the development work, development projects are amortised on a straight-line basis over their estimated useful economic lives from the time the asset is ready for use.
The amortisation period is expected to be 12 years. The basis of amortisation is reduced by any impairment write-downs.

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

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

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

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

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

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

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

The expected useful economic lives are as follows:

Buildings	40 years
Plant and machinery	5-10 years
Other plant and equipment	5-10 years
IT equipment	3-5 years

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

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

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

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

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss
Financial assets designated as measured at fair value through profit or loss on initial recognition are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented group investment strategy. The invest-

ments and returns thereon are included on this fair value basis in the management reporting. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. Marketable securities have been designated by management as financial assets measured at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "Other receivables" in the balance sheet.

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

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

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

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

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

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

Contingent consideration
Contingent consideration concerns the part of consideration in connection with business combinations that is contingent upon future events. If the future events are deemed to be probable (more than 50% probability), and the consideration can be reliably determined, such consideration is recognised as part of the consideration for the transaction and recognised as contingent consideration. For NeuroSearch, such future events will primarily be related to milestone payments.

If the determined probabilities of future events change after the acquisition date, the contingent consideration and the related goodwill is adjusted accordingly.

Contingent consideration denominated in foreign currency is adjusted to the exchange rate ruling on the balance sheet date. Such exchange rate adjustments are recognised directly in other comprehensive income and are classified under a separate currency translation reserve as it represents an effective hedge of the net investment in foreign subsidiaries.

For business combinations made after 1 January 2010 contingent consideration is recognised at fair value as of the date of acquisition. The fair value is determined as the net present value of the cash flows, the probable future events may be expected to generate discounted at an effective rate of interest based on short-term government bonds.

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	2012	2011
	Revenue	120,719	0
	Total revenue	**120,719**	**0**
2,3	Development costs	457,230	259,133
2,3	General and administrative costs	(46,668)	123,409
	Total costs	**410,562**	**382,542**
	Operating profit/(loss)	**(289,843)**	**(382,542)**
11	Share of profit/(loss) of associates	(1,129)	(5,910)
	Gain on sale of investments in associates	-	32,956
4	Financial income	4,377	16,960
5	Financial expense	40,491	10,543
	Total financials	**(37,243)**	**33,463**
	Profit/(loss) before taxes of continuing operations	**(327,086)**	**(349,079)**
6	Tax on profit/(loss) for the year of continuing operations	5,824	-
	Net profit/(loss) of continuing operations	**(332,910)**	**(349,079)**
7,2,3	Profit/(loss) of discontinued operations	57,355	(329,339)
	Net profit/(loss)	**(275,555)**	**(678,418)**
	Other comprehensive income:		
16	Fair value adjustment of hedging instruments	22,071	(19,074)
	Exchange adjustment of net investment in foreign subsidiary	10,926	1,815
	Fair value adjustment of hedge of net investment in foreign subsidiary	(919)	841
	Total other comprehensive income	**32,078**	**(16,418)**
	TOTAL COMPREHENSIVE INCOME	**(243,477)**	**(694,836)**
8	Earnings per share continuing operations, DKK	(13.56)	(14.22)
8	Diluted earnings per share continuing operations, DKK	(13.56)	(14.22)
8	Earnings per share for the year, DKK	(11.22)	(27.63)
8	Diluted earnings per share for the year, DKK	(11.22)	(27.63)

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2012	2011
9	Development projects	-	478,118
9	Goodwill	-	39,887
10	Land and buildings	-	52,400
11	Investments in associates	-	1,129
	Total non-current assets	**0**	**571,534**
12	Available-for-sale property, plant and equipment	111,000	-
11	Available-for-sale investments in associates	-	-
13	Other receivables	15,085	48,642
14	Other financial assets at fair value through profit or loss	21,365	187,879
15	Cash and cash equivalents	60,066	32,761
	Total current assets	**207,516**	**269,282**
	TOTAL ASSETS	**207,516**	**840,816**

Note	EQUITY AND LIABILITIES	2012	2011
	Share capital	24,554	491,079
	Reserve for currency translation	21,976	11,969
16	Other reserves	-	(22,071)
	Retained earnings	34,522	(160,345)
	Total equity	**81,052**	**320,632**
17	Contingent consideration	-	55,017
17	Other contractual obligations	-	74,729
18	Mortage debt	-	120,336
19	Other long-term debt	-	11,494
	Total non-current liabilities	**0**	**261,576**
20	Current portion of long-term debt	102,169	24,072
	Deferred income	-	2,688
	Trade and other payables	10,274	26,877
	Other liabilities	6,285	75,620
	Provisions	7,736	129,351
	Total current liabilities	**126,464**	**258,608**
	Total liabilities	**126,464**	**520,184**
	TOTAL EQUITY AND LIABILITIES	**207,516**	**840,816**

1	Accounting estimates and judgments
21	Fees to auditors appointed at the Annual General Meeting
22	Related parties
23	Mortgages and collateral security
24	Contingent assets, contingent liabilities and commitments
25	Financial risks
27	Events after the balance sheet date

Statement of cash flow

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

Note		2012	2011
	Net profit/(loss)	(275,555)	(678,418)
26	Adjustments	374,407	308,184
	Change in working capital		
	Net changes in receivables	33.557	(12,187)
	Net changes in current debt	(188,170)	127,685
	Cash flow from operating activities	**(55,761)**	**(254,736)**
10	Payments to acquire property, plant and equipment	-	(3,589)
10	Sale of property, plant and equipment	-	8,500
	Investment in associates	-	(1,775)
	Divestment of associates	-	31,684
	Net change in securities (more than three months)	166,514	266,375
	Cash flow from investing activities	**166,514**	**301,195**
	Net proceeds from equity issues	2,799	(2,799)
	Repayment of debt to financial institutions	-	(26,773)
	Proceeds from long-term borrowings	-	1,267
	Repayment of other long-term borrowings	(53,733)	(18,309)
	Redemption of interest swap	(26,610)	-
	Financial payments received	3,776	12,327
	Financial payment paid	(10,327)	(9,721)
	Cash flow from financing activities	**(84,095)**	**(44,008)**
	Net cash flows	**26,658**	**2,451**
	Urealised gain/(loss) on securities	601	3,995
	Net increase/(decrease) in cash and cash equivalents	**27,259**	**6,446**
	Cash and cash equivalents at 1 January	32,761	26,301
	Foreign exchange adjustment of cash and cash equivalents	46	14
	Cash and cash equivalents at 31 December	**60,066**	**32,761**
15	Cash and cash equivalents	60,066	32,761
14	Securities	21,365	187,879
	Cash and cash equivalents and securities at 31 December*	**81,431**	**220,640**

* In connection with the agreement with Teva DKK 28.7 million were placed in encrow which will be released no earlier than six months from 25 October 2012. The escrow is not included in cash and cash equivalence and securities.

Statement of movements in equity (DKK thousands)

	Share capital*	Share premi-um**	Reserve for currency translation	Other re-serves***	Retained earnings	Total
Equity at 1 January 2011	**491,079**	**0**	**9,313**	**(2,997)**	**496,672**	**994,067**
Fair value adjustment of hedging instruments	-	-	-	(19,074)	-	(19,074)
Foreign exchange adjustment of net invest-ment in foreign subsidiary	-	-	1,815	-	-	1,815
Fair value adjustment of hedge of net invest-ment in foreign subsidiary	-	-	841	-	-	841
Other comprehensive income	0	0	2,656	(19,074)	0	(16,418)
Net profit/(loss)	-	-	-	-	(678,418)	(678,418)
Total recognized income for the year	0	0	2,656	(19,074)	(678,418)	(694,836)
Rights issue:						
- Proceeds from share issue	-	-	-	-	-	0
- Costs of share issue	-	(2,799)	-	-	-	(2,799)
Employee warrant programme:						
- Costs of share-based payment	-	-	-	-	24,200	24,200
Transfers	-	2,799	-	-	(2,799)	0
Equity at 31 December 2011	**491,079**	**0**	**11,969**	**(22,071)**	**(160,345)**	**320,632**
Equity at 1 January 2012	**491,079**	**0**	**11,969**	**(22,071)**	**(160,345)**	**320,632**
Fair value adjustment of hedging instruments	-	-	-	22,071	-	22,071
Foreign exchange adjustment of net invest-ment in foreign subsidiary	-	-	10,926	-	-	10,926
Fair value adjustment of hedge of net invest-ment in foreign subsidiary	-	-	(919)	-	-	(919)
Other comprehensive income	0	0	10,007	22,071	0	32,078
Net profit/(loss)	-	-	-	-	(275,555)	(275,555)
Total recognized income for the year	0	0	10,007	22,071	(275,555)	(243,477)
Capital reduction	(466,525)	-	-	-	466,525	0
Rights issue:						
- Proceeds from share issue	-	-	-	-	-	0
- Costs of share issue	-	(4,639)	-	-	-	(4,639)
- Reversal of cost related to rights issue	-	7,438	-	-	-	7,438
Employee warrant programme:						
- Costs of share-based payment	-	-	-	-	1,098	1,098
Transfers	-	(2,799)	-	-	2,799	0
Equity at 31 December 2012	**24,554**	**0**	**21,976**	**0**	**34,522**	**81,052**

* Under Danish corporate law, share capital may not be used for distribution of dividends.
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** 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 2012 (2011: DKK 2,411 million).

*** Other reserves are specified in note 16.

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

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

Share capital	2008	2009	2010	2011	2012
Share capital at 1 January	304,854	314,866	487,590	491,079	491,079
Equity issues	9,715	172,724	-	-	-
Capital reduction	-	-	-	-	(466,525)
Exercise of warrants	297	-	3,489	-	-
Share capital at 31 December	**314,866**	**487,590**	**491,079**	**491,079**	**24,554**

The total number of shares is 24,553,947 (2011: 24,553,947) with a nominal value of DKK 1 each (2011: DKK 20 per share). All issued shares are fully paid up. All shares carry the same rights. The company has issued warrants to the management and other employees. See note 3.

Treasury shares	Number of shares	Nominal value	Percentage of share capital	Market value DKK million
Treasury shares at 1 January 2012	265,946	5,318,920	1.08	4.7
Adjustments	-	(5,052,974)	-	(3.7)
Treasury shares at 31 December 2012	**265,946**	**265,946**	**1.08**	**1.0**

Notes (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, share-based payment, cost of closing down operations, development costs, goodwill, contingent consideration and other contractual obligations, 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 company's capital is considered to be sufficient to fund the current and future level of activity. The Board of Directors and Management evaluate various possibilities of taking NeuroSearch forward for the benefit of our shareholders.

Costs of closing down operations
NeuroSearch began a major restructuring of operations in September 2011 in order to optimise financial and management resources for completing the development of Huntexil® and for closing down the company's other operations in a controlled manner. In connection with the wind-down of the discontinued operations in 2012, it has been possible to close down related infrastructure more promptly than anticipated and the loss-making contracts have materialised more positively than budgeted.

Result of the discontinued operations was a profit of DKK 57 million (2011: a loss of DKK 329 million).

Development projects and impairment test
Due to very long development periods and significant uncertainties related to the development of new products, in-house development costs are generally not deemed to meet operation requirements for capitalisation. The criteria for technical viability are not deemed to have been met until regulatory approval has been obtained. All in-house research and development costs are therefore recognised in the income statement as incurred. The carrying amount of in-house development costs total DKK 457 million for the group (2011: DKK 259 million) and are all recognised in the income statement.

Acquired development projects are capitalised if, according to IAS 38, they are identifiable and can be separated. The carrying amount of acquired capitalised development projects total DKK 0 million (2011: DKK 478 million) for the group.

All projects have been sold or discontinued, see note 9 and 17, and at 31 December 2012, development projects are not subject to significant accounting estimates.

Goodwill impairment test
All projects have been sold or discontinued, see note 9 and 17, and at 31 December 2012, goodwill is not subject to significant accounting estimates.

Contingent considerations and other contractual obligations
Contingent considerations and other contractual obligations relate to the acquisition of NeuroSearch Sweden AB in 2006. In connection with the sale of the Huntexil® project in 2012, clarification regarding the obligations related to the acquisition of NeuroSearch Sweden AB has been made, and at 31 December 2012 these items are therefore not subject to significant accounting estimates and judgements.

For more details, please also see information regarding contingent considerations and other contractual obligations in note 17.

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

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

In connection with the assets transfer agreement with Teva DKK 28.7 million were placed in escrow and will be released upon satisfactory project transfer of the Huntexil® project, however, not earlier than six months from 25 October 2012. Furthermore, NeuroSearch is entitled to potential milestone payments from Teva up to DKK 55 million. The escrow and income from future milestone payments will be recognised when the conditions have been met or when the income is received.

Revenue for the group totalled DKK 121 million (2011; DKK 0 million).

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

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

In connection with the sale of the Huntexil® project the deferred tax and the recognised tax assets were reversed leading to a tax expense of DKK 6 million, cf. note 17.

The carrying amount of unrecognised deferred tax assets was DKK 518million for the group (2011: DKK 520 million), and for deferred tax liabilities DKK 0 million for the group (2011: DKK 0 million).

2	Amortisation, depreciation and impairment	2012	2011
	Intangible assets		
	Recognised in:		
	Development costs	469,305	90,679
	Discontinued operations	-	2,947
	Total	**469,305**	**93,626**
	Tangible assets and available-for-sale property, plant and equipment		
	Recognised in:		
	General and administrative costs	(58,600)	98,664
	Discontinued operations	-	45,474
	Total	**(58,600)**	**144,138**

3	Staff	2012	2011
	Break down of staff costs:		
	Salaries and wages	66,264	133,401
	Share-based payment	1,097	24,200
	Pension	5,755	11,796
	Social security costs	2,412	5,132
	Other staff costs	877	8,699
	Total	**76,405**	**183,228**
	Recognised in:		
	Development costs	21,450	28,215
	General and administrative costs	9,870	12,634
	Discontinuing operations	45,085	142,379
	Total	**76,405**	**183,228**
	Average number of employees	88	222
	Number of employees at 31 December	29	189
	Of this, number of employees engaged in the discontinued operations	3	153
	Remuneration to the registered CEO and the Board of Directors:		
	Executive Management:*		
	Salaries	4,701	3,192
	Pension costs	445	318
	Share-based payment	699	1,512
	Total	**5,845**	**5,022**
	Board of Directors:		
	Fees	2,700	3,000
	Share-based payment	-	23
	Total	**2,700**	**3,023**
	Total remuneration to the CEO and Board of Directors	**8,545**	**8,045**

* In June 2012, Patrik Dahlen resigned his position as CEO. At 1 July 2012, former CFO René Schneider was appointed new CEO of the company. Total remuneration for 2012 amount to DKK 4.2 million to Patrik Dahlen (including share-based payments) and DKK 1.6 million to René Schneider.

At 31 December 2012, the CEO held 0 warrants. The company’s period of notice to the CEO is 12 months. The period of notice to be given by the CEO to the company is six months. For additional information on remuneration to the Executive Management and the Board of Directors, see “Management Structure” in the Management´s Review and the report on Corporate Governance on the company's website.

Staff (continued)

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

	Warrants*						Shares					
	Beginning of period	Allocation	Excercise	Forfeited	Adjustment**	End of period	Beginning of period	Exercise of warrants	Purchase	Sale	Adjustment**	End of period
Allan Andersen	4,645	-	-	1,742	-	2,903	21,404	-	-	-	-	21,404
Christian Lundgren	0	-	-	-	-	0	0	-	-	-	-	0
Torbjörn Bjerke	4,645	-	-	1,742	-	2,903	0	-	-	-	-	0
Employee elected members***	55,300	-	-	11,845	(6,293)	37,162	2,226	-	-	-	5,853	8,079
Total	**64,590**	**0**	**0**	**15,329**	**(6,293)**	**42,968**	**23,630**	**0**	**0**	**0**	**5,853**	**29,483**

* Warrants relating to the 2009 programme.
** The adjustment relates to changes in the employee elected members in 2012.
*** Warrants for the employee elected members include the allocation they were granted as member of the Board of Directors as well as the allocation granted as employee in NeuroSearch.

	Warrant programme granted in Jan 2007	Warrant programme granted in Sep 2007	Warrant programme granted in 2008	Warrant programme granted in 2009	Warrant programme granted in 2010	Total
Share-based payment						
Outstanding at 1 January 2011	283,922	386,119	387,548	579,626	650,000	2,287,215
Granted during the period	-	-	-	-	-	0
Exercised during the period	-	-	-	-	-	0
Forfeited during the period in connection with resignation	-	-	1,437	-	44,158	45,595
Forfeited at expiry	283,922	386,119	-	-	-	670,041
Outstanding at 31 December 2011	**0**	**0**	**386,111**	**579,626**	**605,842**	**1,571,579**
Of which vested for exercise at 31 December 2011	*0*	*0*	*386,111*	*579,626*	*470,525*	*1,436,262*
Outstanding at 1 January 2012	0	0	386,111	579,626	605,842	1,571,579
Granted during the period	-	-	-	-	-	0
Exercised during the period	-	-	-	-	-	0
Forfeited during the period in connection with resignation	-	-	-	-	29,646	29,646
Forfeited at expiry	-	-	386,111	-	-	386,111
Outstanding at 31 December 2012	**0**	**0**	**0**	**579,626**	**576,196**	**1,155,822**
Of which vested for exercise at 31 December 2012	*0*	*0*	*0*	*579,626*	*572,102*	*1,106,728*

Staff (continued)

Warrant programme	Outstanding at 31 Dec 2012	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 2012	Market value on date of grant of warrant outstanding at 31 Dec 2011
2008	0	310.83	September 2012	64.52	0	24,912
2009	579,626	125.71	September 2013	35.62	20,646	20,646
2010	576,196	94.06	November 2014	50.03	28,827	30,310
	1,155,822				49,473	75,868

Recognised cost of share-based payment:		
Recognised in previous years	119,331	95,131
Recognised in current year for continuing operations	1,691	6,449
Recognised in current year for discontinued operations	(594)	17,751
Recognised share-based payment at 31 December	**120,428**	**119,331**

There were three warrant windows during the financial year: The last two windows under the 2008 programme and the first window under the 2009 programme. No warrants were exercised during these windows. In 2013, there will be two windows on the 2009 programme.

	2010 programme	2009 programme
Average share price on date of grant (DKK)	88.54	105.19
Exercise price (DKK)	94.06	125.71
Expected volatility*	77%	52%
Expected term	48 months	51 months
Expected dividend per share	0	0
Risk-free interest rate (based on Danish government bonds)	2.48%	2.78%

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

During the vesting period, which is three years, the warrant holder earns the right to exercise 1/36 of the warrants granted per month. The 2009 programme has a vesting period of one year. If the warrant holder resihs from NeuroSearch or one of its subsidiaries, he or she retains the right to exercise the number of warrants vested on the date of severance (e.g 12/36 of the warrants granted on resignation after 12 months of a vesting period of 36 months). The right to exercise additional warrants is forfeited, if a warrant holder leaves his or her position with NeuroSearch or one of its subsidiaries due to termination by NeuroSearch or one of its subsidiaries without this being due to breach of contract by the warrant holder, the warrant holder will retain the right to exercise the warrants.

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

4	Financial income	2012	2011
	Interest income	805	245
	Net fair value adjustment of financial assets measured at fair value through profit or loss	3,572	16,077
	Financial element of contingent consideration	-	638
	Total	**4,377**	**16,960**

5	Financial expense	2012	2011
	Interest expense	6,756	9,357
	Net foreign exchange adjustment	4,780	1,186
	Financial element of contingent consideration	2,345	-
	Other financial expenses	26,610	-
	Total	**40,491**	**10,543**

6	Tax (DKK million)	2012	2011
	Calculated tax on the year's loss	-	-
	Change in deferred tax liability allocated to business combinations, see note 17	(120)	(18)
	Deferred tax asset relating to foreign activities offset against deferred tax	126	18
	Tax on the year's loss (income)	**6**	**0**

As of 31 December 2012, the group had tax losses carried forward of approximately DKK 1,245 million which can be carried forward indefinitely. In addition, the group had net deductible temporary differences of approximately DKK 856 million.

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. However, the part of the deferred tax asset that relates to the Swedish activities has been recognised and offset against the deferred tax that was recognised in connection with the acquisition of NeuroSearch Sweden AB in 2006. See note 17 for a description.

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

Tax on pre-tax loss	69	170
Share of profit/(loss) of associates	-	7
Permanent deviations relating to share-based payment, etc.	-	(5)
Non-taxable income and other tax-deductible costs	(120)	(23)
Adjustment of deferred tax for prior years	(93)	2
Effect from change in tax rate	(11)	-
Foreign exchange adjustment of deferred tax	18	15
Higher tax rate in foreign subsidiaries	8	2
Change in deferred tax asset (increase of potential tax asset)	**(129)**	**168**

Breakdown of unrecognised deferred tax assets:

Tax losses carried forward (available indefinitely)	1,245	1,375
Research and development costs	479	508
Rights	134	262
Non-current assets	127	170
Patent costs	58	55
Assets held under finance leases	-	21
Provisions	3	190
Other	55	(28)
Total temporary differences	**2,101**	**2,553**
Calculated potential deferred tax asset at local tax rate	518	646
Set off against deferred tax liability*	-	(126)
Write-down of deferred tax asset	(518)	(520)
Recognised deferred tax asset	**0**	**0**

* See note 17 for additional specifications.

7	Discontinued operations	2012	2011
	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®.		
	Revenue	23,315	34,766
	Costs	20,485	315,684
	Reversal of provision	54,525	
	Depreciations and write-downs	-	48,421
	Net profit/(loss) of discontinued operations	**57,355**	**(329,339)**
	Earnings per share, DKK (discontinued operations)*	**2.34**	**(13.41)**
	Cash flow from operation	(38,449)	(163,586)
	Cash flow from investments	-	(3,589)
	Cash flow from financing	(22,473)	(11,497)
	Net cash flow for the period	**(60,922)**	**(178,672)**
	Provisions		
	Provisions at 1 January	129,351	0
	Additions	-	129,351
	Disposal	67,090	-
	Reversal	54,525	-
	Provisions at 31 December**	**7,736**	**129,351**

* Reference is made to note 8 for average number of outstanding shares used in the calculation of "Earnings per share" of discontinued operations.

** Provision relates to expenses regarding discontinued operations including contractual obligations from collaborative agreements.

8	Earnings per share	2012	2011
	Net profit/(loss) for continuing operations, DKK thousands	(332,910)	(349,079)
	Net profit/(loss) for the year, DKK thousands	(275,555)	(678,418)
	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	(13.56)	(14.22)
	Earnings per share for continuing operations, diluted, DKK	(13.56)	(14.22)
	Earnings per share for the year, DKK	(11.22)	(27.63)
	Earnings per share for the year, diluted, DKK	(11.22)	(27.63)

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

9 Intangible assets	Development projects	Licences and patents	Goodwill	Software
Cost at 1 January 2012	645,072	19,683	101,651	4,149
Reassessment of contingent consideration related to acquisition	(16,321)	-	(40,593)	-
Disposal	591,693	19,683	15,651	4,149
Foreign exchange adjustment	7,508	-	706	-
Cost at 31 December 2012	44,566	0	46,113	0
Amortisation and impairment at 1 January 2012	166,954	19,683	61,764	4,149
Amortisation	-	-	-	-
Impairment	469,305	-	-	-
Disposal	591,693	19,683	15,651	4,149
Amortisation and impairment at 31 December 2012	44,566	0	46,113	0
Carrying amount at 31 December 2012	**0**	**0**	**0**	**0**
Cost at 1 January 2011	667,312	19,683	137,391	4,149
Reassessment of contingent consideration related to acquisition	(25,166)	-	(35,104)	-
Foreign exchange adjustment	2,926	-	(636)	-
Cost at 31 December 2011	645,072	19,683	101,651	4,149
Amortisation and impairment at 1 January 2011	122,388	19,502	15,651	1,383
Amortisation	-	181	-	1,037
Impairment	44,566	-	46,113	1,729
Amortisation and impairment at 31 December 2011	166,954	19,683	61,764	4,149
Carrying amount at 31 December 2011	**478,118**	**0**	**39,887**	**0**

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

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

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

For this reason the carrying amount was impaired.

In September, NeuroSearch sold the full Huntexil® project. The agreement was approved by NeuroSearch shareholders and concluded by the end of October 2012. For further information on the sale of the Huntexil® project references is made to the "Financial review", as well as 17.

10	Property, plant and equipment	Land and buildings	Plant and machinery	Other plant and equipt-ment	Pre-payments
	Cost at 1 January 2012	209,477	121,280	21,821	0
	Foreign exchange adjustment	-	-	-	-
	Transfers	-	-	-	-
	Transfer to available-for-sale property, plant and equipment	209,477	-	-	-
	Cost at 31 December 2012	0	121,280	21,821	0
	Depreciation and impairment at 1 January 2012	157,077	121,280	21,821	0
	Depreciation	-	-	-	-
	Impairment	-	-	-	-
	Foreign exchange adjustment	-	-	-	-
	Transfer to available-for-sale property, plant and equipment	157,077	-	-	-
	Depreciation and impairment at 31 December 2012	0	121,280	21,821	0
	Carrying amount at 31 December 2012	**0**	**0**	**0**	**0**
	Cost at 1 January 2011	217,768	117,136	21,584	1,165
	Additions	475	2,877	237	-
	Foreign exchange adjustment	-	102	-	-
	Transfers	-	1,165	-	(1,165)
	Disposals	8,766	-	-	-
	Cost at 31 December 2011	209,477	121,280	21,821	0
	Depreciation and impairment at 1 January 2011	59,200	79,575	17,960	0
	Depreciation	1,424	7,410	2,229	-
	Impairment*	97,240	34,203	1,632	-
	Foreign exchange adjustment	-	92	-	-
	Disposals	787	-	-	-
	Depreciation and impairment at 31 December 2011	157,077	121,280	21,821	0
	Carrying amount at 31 December 2011	**52,400**	**0**	**0**	**0**

* The impairment is based on an estimated fair value of property, plant and equipment. Fair value of land and buildings are based on the general market level for sale of laboratory and office buildings.

11 Investments in associates 2012***

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

	Equity	Profit/-(loss) before tax	Net profit/-(loss)
Adjustment to group accounting policies	(23,683)	(3,197)	(3,197)
Reversal of share of negative net asset value in associates	3,797	414	414
Net unrealised gains/(losses) on equity issues in associates	-	3,856	3,856
Adjustment of prior-year profit/(loss) of associates	-	(31)	(31)
Write-down of investments in associates	(145)	(145)	(145)
Recognised value of investments in associates	**0**	**(1,129)**	**(1,129)**

Investment in associates 2011

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net profit/(loss)	NeuroSearch A/S's share: Equity	Profit/(loss) before tax	Net profit/(loss)
NsGene A/S	Ballerup	26.8	14,357	(12,634)	14,167	9,111	(15,208)	(3,382)	(4,339)	(4,339)
Sophion Bioscience A/S	Ballerup	**	-	-	-	-	-	-	(36)	(36)
Atonomics A/S	Copenhagen	*18.9	26,899	121,257	121,901	-	(13,507)	22,917	(2,553)	(2,553)
				108,623			**(28,715)**	**19,535**	**(6,928)**	**(6,928)**

	Equity	Profit/(loss) before tax	Net profit/(loss)
Adjustment to group accounting policies	(21,789)	(3,893)	(3,893)
Reversal of share of negative net asset value in associates	3,383	3,383	3,383
Net unrealised gains/(losses) on equity issues in associates	-	1,682	1,682
Adjustment of prior-year profit/(loss) of associates	-	(154)	(154)
Recognised value of investments in associates	**1,129**	**(5,910)**	**(5,910)**

* The company's investment in Atonomics A/S is recognised as an investment in an associate as NeuroSearch holds significant influence as a result of its ownership interest and directorships in the Board of Directors.

** On 6 June 2011, NeuroSearch A/S sold its shares in Sophion Bioscience A/S. NeuroSearch A/S has received proceeds of DKK 41 million from the sale of its shares, of which DKK 32 million was received in September 2011, and the remaining DKK 9 million was received in December 2012.

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

12 Available-for-sale property, plant and equipment

	2012	2011
Available-for-sale property, plant and equipment at 1 January	0	0
Additions	52,400	-
Reversal of write-down	58,600	-
Available-for-sale property, plant and equipment at 31 December	**111,000**	**0**

On 4 February 2013, NeuroSearch signed a conditional agreement regarding the sale of the company's land and building with completion on 1 June 2013 at a cash price of DKK 112,5 million. As a consequence of the conditional agreement, the company has chosen to reverse the previous write-down of land and building by DKK 59 million in order that the booked value of tangible assets for sale reflects the expected net proceeds of DKK 111 million.

13 Other receivables

	2012	2011
Prepaid costs*	2,573	4,792
Project-related receivables **	2,829	8,856
Other receivables	9,683	34,994
Total	**15,085**	**48,642**

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

The carrying amount of other receivables largely corresponds to their fair values. Other receivables 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 2012, there were no indications of impairment of other receivables.

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

	2012		2011	
	Cost	Market value	Cost	Market value
Breakdown of bonds and unit trusts:				
Danish mortgage bonds	20,764	21,365	183,883	187,879
Total other financial assets measured at fair value	**20,764**	**21,365**	**183,883**	**187,879**
Terms to maturity of bonds:				
Less than 1 year	0	0	1,133	1,119
Between 1 and 5 years	2,403	2,408	85,656	86,962
More than 5 years	18,361	18,957	97,094	99,798
Total	**20,764**	**21,365**	**183,883**	**187,879**

Mortgage bonds are callable by the debtor at par.

The bonds are at fixed interest, and price fluctuations as a result of changes in the interest rate market therefore affect the fair value of the bond portfolio.

Financial assets measured through profit or loss on initial recognition (securities) are financial assets that are managed and whose return is evaluated on the basis of changes in their fair values, in accordance with the group's documented investment strategy. Information on such financial assets at fair value is used in the internal reporting to the company's management.

The credit risk of investments in bonds and unit trusts is handled by collaborating only with financial institutions with satisfactory creditworthiness. Danish mortgage bonds are considered not to involve any material credit risk.

15 Cash

	2012	2011
Money market accounts	60,066	32,761
Total	**60,066**	**32,761**

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 counterparties are Nordea and Danske Bank.

16 Other reserves

	2012	2011

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

Interest rate swap:

	2012	2011
Adjustment of hedge of cash flows for the year:		
Deferred gain/(loss) on hedge of cash flows at 1 January	(22,071)	(2,997)
Effect of hedged expected transactions recognised in the income statement under financial income or expense	2,747	1,997
Fair value adjustment for the year relating to hedge of cash flows	(5,121)	(21,071)
Charged to the profit/(loos) under financial expenses	24,445	
Adjustment of hedge of cash flows for the year recognised in other comprehensive income	**22,071**	**(19,074)**
Deferred gain/(loss) relating to hedge of cash flows at 31 December recognised in other reserves	**0**	**(22,071)**

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

17 Acquisition of subsidiaries and operations

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

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

No acquisitions were made in 2012 and 2011.

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

No milestone payments were made in 2012 and 2011.

	2012	2011
Contingent consideration at 1 January	55,017	116,833
Write-down	56,913	60,270
Foreign exchange adjustments and amortisation	1,896	(1,546)
Contingent consideration at 31 December	**0**	**55,017**
Current liabilities	0	0
Non-current liabilities	0	55,017

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

No milestone payments were made in 2012 and 2011.

	2012	2011
Other contractual obligations at 1 January	81,593	0
Payments of current obligations	6,864	-
Additions	-	80,704
Disposals	77,304	-
Foreign exchange adjustments and amortisation	2,575	889
Other contractual obligations at 31 December	**0**	**81,593**
Current liabilities	0	6,864
Non-current liabilities	0	74,729

Acquisition of subsidiaries and operations (continued)

Deferred tax
In connection with the business combination, deferred tax was recognised in the consolidated financial statements on the difference between the value of the net assets acquired and the fair values. No deferred tax is recognised on goodwill.

Breakdown of deferred tax:

	2012	2011
Carrying amount of development projects, see note 9	0	478,118
Tax rate in Sweden	*22%	26.3%
Deferred tax at 31 December	-	(125,913)
Offset of tax asset used, beginning of year	125,913	143,315
Offset of tax asset for the year, see note 6	(120,089)	(17,402)
Adjustment	(5,824)	-
Carrying amount at 31 December	**0**	**0**

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

18 Mortage debt

	2012	2011
Breakdown of debt to financial institutions stated in the balance sheet:		
Total debt	**102,169**	**126,565**
Current liabilities	102,169	6,229
Non-current liabilities	0	120,336
Of which maturity is more than five years	0	93,562

Mortgage debt consists of three mortgage-backed loans with terms to maturity of 9, 18 and 26 years respectively. All three mortgages have floating rates of 0.79% for one of the loans and 2.77% for the other two at 28 December 2012. The three interest rate swaps, which were entered into for all three mortgages, have been redeemed in November 2012. The redemption value was DKK 26.6 million.

The fair value and the redemption value of the mortgage debt, which correspond to the market value of the underlying bonds, totalled DKK 102 million at 28 December 2012 (2011: DKK 128 million).

19 Finance leases

	2012	2011
Breakdown of liabilities under finance lease in the balance sheet:		
Total liabilities	**0**	**22,473**
Current liabilities	0	10,979
Non-current liabilities	0	11,494
The gross at net lease liability is as follows:		
Maturity:		
Within 1 year	0	11,632
Between 1 and 5 years	0	11,922
Miminum lease payments	0	23,554
Future interest rate on lease	0	(1,085)
Present value of lease liability	**0**	**22,469**

At the end of 2012, the company redeemed the total finance lease liability.

20 Current portion of long-term debt

	2012	2011
Other contractual obligations	-	6,864
Mortgage debt	102,169	6,229
Liabilities under financial leases	-	10,979
Total	**102,169**	**24,072**

21 Fees to auditors appointed at the Annual General Meeting

	2012	2011
Audit	370	628
Other assurance engagements	14	14
Tax advice	381	775
Non-audit service	1,508	1,112
Total	**2,273**	**2,529**

22 Related-party transactions

NeuroSearch related parties
Related parties comprise the company's Executive Management, Board of Directors, subsidiaries and the associates NsGene A/S og Atonomics A/S.

Transactions with related parties
During the year, there were minor transactions with associated companies, all of which took place on an arm’s length basis.

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

23 Mortgages and collateral security

Nordea Bank Danmark A/S has issued a guarantee to Nordea Finans Danmark A/S for mortgage loans totalling DKK 27 million (2011: DKK 49 million). In security of Nordea’s guarantee, a mortgage of DKK 132 million has been registered on land and buildings. In security of a loan with Nordea Kredit Realkreditaktieselskab of DKK 75 million (2011: 77 million), a corresponding mortgage has been registered on the land and buildings. At 31 December 2012, the carrying amount of land and buildings was DKK 111 million (2011: DKK 54 million).

24 Contingent assets, contingent liabilities and commitments

Contingent assets
The group has an unrecognised deferred tax asset of DKK 518 million (2011: DKK 646 million). See note 6 for a breakdown of the tax asset.

Contingent liabilities
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.

25 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. Excess cash is primarily invested in investment-grade, short-term, liquid government and mortgage bonds, unit trusts, or in money market deposits, all denominated in DKK.

The weighted average duration of the bond portfolio at 31 December 2012 was 3.79 years. The risk of mortgage bonds being redeemed has been taken into account in the calculation of the duration of the bond portfolio.

The bonds are at fixed interest, and price fluctuations as a result of changes in the interest rate market therefore affect the fair value of the bond portfolio.

The company's portfolio of securities is measured at fair value through profit or loss, and changes in market interest rates will consequently affect net profit.

Mortgage debt is measured at amortised cost. The mortgage debt is obtained at variable interest.

At 31 December 2012, fluctuations in interest rates of +/- 1 percentage point would – everything else being equal – have had an effect on pre-tax profit of +/- DKK 2 million (2011: DKK 11 million), primarily as a result of changes in the fair values of securities. The total effect on equity is correspondingly DKK 2 million (2011: DKK 25 million).

The interest rate risk profile of securities is disclosed in note 14, and for loans in notes 18 and 19.

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 2012, 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.

	2012		2011	
	Fluctuation	**Effect**	**Fluctuation**	**Effect**
EUR	+/- 2%	171	+/- 2%	131
GBP	+/- 5%	150	+/- 5%	349
SEK	+/- 5%	981	+/- 5%	1,989
USD	+/- 10%	1,269	+/- 10%	394

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

Financial risks (continued)

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

Liquidity risk:	<12 months	1-2 years	3-5 years	> 5 years	Total*	Fair value**	Carrying amount
At amortised cost							
Mortgage debt***	103,379	-	-	-	103,379	102,348	102,169
Trade and other creditors	10,274	-	-	-	10,274	10,274	10,274
Other liabilities	14,021	-	-	-	14,021	14,021	14,021
Total financial liabilities at 31 December 2012	**127,674**	**0**	**0**	**0**	**127,674**	**126,643**	**126,464**
Loans and receivables							
Other receivables	15,085	-	-	-	15,085	15,085	15,085
Cash	60,066	-	-	-	60,066	60,066	60,066
At fair value							
Other financial assets at fair value	21,365	-	-	-	21,365	21,365 1)	21,365
Total financial assets at 31 December 2012	**96,516**	**0**	**0**	**0**	**96,516**	**96,516**	**96,516**
Net total at 31 December 2012	**(31,158)**	**0**	**0**	**0**	**(31,158)**	**(30,127)**	**(29,948)**
At amortised cost							
Mortgage debt	10,627	10,661	32,049	131,498	184,835	127,784	126,565
Lease liability	11,632	7,015	4,907	-	23,554	22,469	22,473
Trade and other creditors	26,877	-	-	-	26,877	26,877	26,877
Other liabilities	182,900	-	-	-	182,900	182,900	182,900
At fair value							
Hedging instruments	22,071	-	-	-	22,071	22,071 2)	22,071
Total financial liabilities at 31 December 2011	**254,107**	**17,676**	**36,956**	**131,498**	**440,237**	**382,101**	**380,886**
Loans and receivables							
Other receivables	43,850	-	-	-	43,850	43,850	43,850
Cash	32,761	-	-	-	32,761	32,761	32,761
At fair value							
Other financial assets at fair value	187,879	-	-	-	187,879	187,879 1)	187,879
Total financial assets at 31 December 2011	**264,490**	**0**	**0**	**0**	**264,490**	**264,490**	**264,490**
Net total at 31 December 2011	**10,383**	**(17,676)**	**(36,956)**	**(131,498)**	**(175,747)**	**(117,611)**	**(116,396)**

* All cash flows are non-discounted and include all liabilities under contracts entered into, including, among other things, future interest payments on loans.

** The fair value of financial liabilities is determined as the discounted cash flows based on the market rates and credit conditions on the balance sheet date.

*** The value of the mortgage debt is calculated to the expected time of redemption.

1) Level 1 – Observable market prices of identical instruments
2) Level 2 – Valuation models primarily based on observable prices or traded prices of comparable instruments
3) Level 3 – Valuation models primarily based on non-observable prices

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 2012 and 2011.

26 Adjustments

	2012	2011
Amortisation, depreciation and impairment, see note 2 and 3	410,705	237,764
Losses/gains on sales of non-current assets	-	(521)
Financial income and expenses	36,114	(6,417)
Changed milestone payment, see note 17	(83,131)	80,704
Profit/(loss) from investments in associates	1,129	5,910
Gain on sale of investments in associates	-	(32,956)
Share-based payment	1,098	24,200
Tax for the year	5,824	-
Currency adjustment	2,668	(500)
Total	**374,407**	**308,184**

27 Events after the balance sheet date

On 4 February 2013, NeuroSearch signed a conditional agreement regarding the sale of the company's land and building with completion on 1 June 2013 at a cash price of DKK 112,5 million. Reference is made to note 12 for further information regarding the sale of the land and building. Except for the sale of the company's land and building, no material events have taken place after the balance sheet date.

Financial statements of the parent company

Accounting policies

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

Basis of preparation

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

The accounting policies of the parent company are the same as those of the group, however, with the addition of the policies described below. The group's accounting policies are described on pages 20-24 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 24 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		2012	2011
	Revenue	173,048	37,468
	Total revenue	**173,048**	**37,468**
1,2	Research costs	(16,460)	290,158
2	Development costs	(6,031)	192,069
1,2	General and administrative costs	(33,430)	130,453
	Total costs	**(55,921)**	**612,680**
	Operating profit/(loss)	**228,969**	**(575,212)**
8	Share of profit/(loss) of subsidiaries after tax	(453,325)	(119,442)
8	Share of profit/(loss) of associates	(1,129)	(5,910)
	Gain on sale of investments in associates	-	32,956
3	Financial income	4,721	20,179
4	Financial expense	40,548	11,237
	Total financials	**(490,281)**	**(83,454)**
	Profit/(loss)	**(261,312)**	**(658,666)**
5	Tax on profit/(loss) for the year	-	-
	Net profit/(loss)	**(261,312)**	**(658,666)**
	Allocation of loss		
	Reserve for net revaluation according to the equity method	0	0
	Retained earnings	(261,312)	(658,666)
		(261,312)	**(658,666)**

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

Balance sheet at 31 December (DKK thousands)

Note	ASSETS	2012	2011
6	Intangible assets	-	-
7	Tangible assets	-	52,400
8	Financial assets	-	480,022
	Total fixed assets	**0**	**532,422**
9	Available-for-sale property, plant and equipment	111,000	-
8	Available-for-sale investments in associates	-	-
10	Other receivables	15,085	46,630
11	Other financial assets at fair value through profit or loss	21,365	187,879
12	Cash	59,636	31,728
	Total current assets	**207,086**	**266,237**
	Total ASSETS	**207,086**	**798,659**

Note	EQUITY AND LIABILITIES	2012	2011
	Share capital	24,554	491,079
	Reserve for currency translation	21,976	11,969
13	Other reserves	-	(22,071)
	Retained earnings	34,522	(174,587)
	Total equity	**81,052**	**306,390**
23	Provisions	7,313	108,000
	Total provisions	**7,313**	**108,000**
14	Contingent consideration	-	55,017
14	Other contractual obligations	-	74,729
15	Mortgage debt	-	120,336
16	Other long-term debt	-	11,494
	Total non-current liabilities	**0**	**261,576**
17	Current portion of long-term debt	102,169	24,072
	Deferred income	-	2,688
	Trade and other payables	10,244	26,293
	Other liabilities	6,308	69,640
	Total current liabilities	**118,721**	**122,693**
	Total liabilities	**118,721**	**384,269**
	Total EQUITY and LIABILITIES	**207,086**	**798,659**

18 Fees to auditors appointed at the Annual General Meeting
19 Related parties
20 Mortgages and collateral security
21 Contingent assets, contingent liabilities and commitments
22 Financial risks
24 Discontinued operations

Statement of movements in equity (DKK thousands)

	Share capital	Share premium	Reserve for currency translation	Other reserves	Retained earnings	2012 total	2011 total
Equity at 1 January	**491,079**	**0**	**11,969**	**(22,071)**	**(174,587)**	**306,390**	**960,072**
Fair value adjustment of hedging instruments	-	-	-	22,071	-	22,071	(19,074)
Foreign exchange adjustment of net investment in foreign subsidiary	-	-	10,926	-	-	10,926	1,815
Fair value adjustment of hedge of net investment in foreign subsidiary	-	-	(919)	-	-	(919)	841
Net profit/(loss)	-	-	-	-	(261,312)	(261,312)	(658,666)
Capital reduction	(466,525)	-	-	-	466,525	0	0
Rights issue:							
- proceeds from share issue	-		-	-	-	0	0
- costs of share issue	-	(4,639)	-	-	-	(4,639)	(2,799)
- Reversal of costs related to rights issue	-	7,438	-	-	-	7,438	0
Employee warrant programme:							
- costs of share-based pay-	-	-	-	-	1,097	1,097	24,201
- proceeds from share issue	-	-	-	-	-	0	0
- costs of share issue	-	-	-	-	-	0	0
Transfer	-	(2,799)	-	-	2,799	0	0
Equity at 31 December	**24,554**	**0**	**21,976**	**0**	**34,522**	**81,052**	**306,390**

Share capital	2008	2009	2010	2011	2012
Share capital at 1 January	304,854	314,866	487,590	491,079	491,079
Equity issues	9,715	172,724	-	-	-
Capital reduction	-	-	-	-	(466,525)
Exercise of warrants	297	-	3,489	-	-
Share capital at 31 December	**314,866**	**487,590**	**491,079**	**491,079**	**24,554**

The total number of shares is 24,553,947 (2011: 24,553,947) with a nominal value of DKK 1 each (2011: DKK 20 per share). All issued shares are fully paid up. All shares carry the same rights. The company has issued warrants to the management and a number of employees. See note 3 to the consolidated financial statements.

Notes (DKK thousand)

1	Amortisation, depreciation and impairment	2012	2011
	Intangible assets		
	Recognised in:		
	Research costs	-	2,947
	Total	**0**	**2,947**
	Property, plant and equipment and available-for-sale property, plant and equipment		
	Recognised in:		
	Research costs	-	51,066
	General and administrative costs	(58,600)	91,333
	Total	**(58,600)**	**142,399**

2	Staff	2012	2011
	Breakdown of staff costs:		
	Salaries and wages	58,693	120,064
	Share-based payment	1,097	21,831
	Pension	4,801	9,640
	Social security costs	706	1,413
	Other staff costs	1,876	8,714
	Total	**67,173**	**161,662**
	Recognised in:		
	Research costs	35,853	85,290
	Development costs	21,450	54,943
	General and administrative costs	9,870	21,429
	Total	**67,173**	**161,662**
	Average number of employees	75	186

For a specification of remuneration to the Board of Directors and the Executive Management see note 3 in the consolidated financial statements, as the specification for the parent company is identical to that for the group.

3	Financial income	2012	2011
	Interest income	1,149	3,464
	Net fair value adjustment of financial assets measured at fair value through profit or loss	3,572	16,077
	Financial element of contingent consideration	-	638
	Total	**4,721**	**20,179**

4	Financial expense	2012	2011
	Interest expense	6,544	9,482
	Net foreign exchange adjustments	5,049	1,755
	Financial element of contingent consideration	2,345	-
	Other financial expenses	26,610	-
	Total	**40,548**	**11,237**

5	Tax (DKK million)	2012	2011
	Calculated tax on the year's loss	-	-
	Change in deferred tax	-	-
	Tax on the year's loss	**0**	**0**

As of 31 December 2012, the parent company had tax losses carried forward of approximately DKK 948 million which can be carried forward indefinitely. In addition, the parent company had temporary net deductible differences of approximately DKK 856 million.

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:

	2012	2011
Tax on pre-tax loss	65	165
Share of profit/(loss) of subsidiaries and associates	(114)	10
Permanent deviations relating to share-based payment, etc.	-	(5)
Non-taxable income and other tax-deductible costs	(2)	1
Adjustment of deferred tax for prior years	(2)	-
Change in deferred tax asset (increase of potential tax asset)	**(53)**	**171**
Breakdown of unrecognised deferred tax assets:		
Tax losses carried forward (available indefinitely)	948	837
Research and development costs	479	508
Rights	134	262
Non-current assets	127	170
Patent costs	58	55
Assets held under finance leases	-	21
Provisions	3	190
Other	55	(28)
Total temporary differences	**1,804**	**2,015**
Calculated potential deferred tax asset at local tax rate	451	504
Write-down of deferred tax asset	(451)	(504)
Recognised deferred tax asset	**0**	**0**

6	Intangible assets	Licences and patents		Software	
		2012	2011	2012	2011
	Cost at 1 January	19,620	19,620	4,149	4,149
	Addition	-	-	-	-
	Disposal	19,620	-	4,149	-
	Transfer	-	-	-	-
	Costs at 31 December	0	19,620	0	4,149
	Amortisation and impairment at 1 January	19,620	19,439	4,149	1,383
	Amortisation	-	181	-	1,037
	Impairment	-	-	-	1,729
	Disposal	19,620	-	4,149	-
	Amortisation and impairment at 31 December	0	19,620	0	4,149
	Carrying amount at 31 December	**0**	**0**	**0**	**0**

For information regarding impairment test of intangible assets, reference is made to note 9 to the consolidated financial statements.

7	Property, plant and equipment	Land and buildings	Plant and machinery	Other plant and equip-ment	2012 total	2011 total
	Cost at 1 January	209,477	115,109	21,821	346,407	351,636
	Additions	-	-	-	0	3,537
	Transferred to available-for-sale property, plant and equipment	209,477	-	-	209,477	8,766
	Cost at 31 December	0	115,109	21,821	136,930	346,407
	Depreciation and impairment at 1 January	157,077	115,109	21,821	294,007	152,395
	Depreciation	-	-	-	0	9,955
	Impairment	-	-	-	0	132,444
	Transferred to available-for-sale property, plant and equipment	157,077	-	-	157,077	787
	Depreciation and impairment at 31 December	0	115,109	21,821	136,930	294,007
	Carrying amount at 31 December*	**0**	**0**	**0**	**0**	**54,200**
	** Of which carrying amount of assets held under finance leases*	*0*	*0*	*0*	*0*	*0*

8	Investments in subsidiaries and associates	Subsidiaries		Associates**	
		2012	2011	2012	2011
	Cost at 1 January	985,136	1,004,060	98,492	143,371
	Additions	-	-	-	16,058
	Contribution recognised in the investment	(393)	39,056	-	-
	Reassessment of contingent consideration related to acquisition*	(56,913)	(60,270)	-	-
	Foreign exchange adjustment	8,214	2,290	-	-
	Disposals	(607,344)	-	-	(60,937)
	Cost at 31 December	328,700	985,136	98,492	98,492
	Amortisation and impairment at 1 January	(566,868)	(450,064)	(97,363)	(144,708)
	Net profit/(loss)	1,738	(48,515)	(1,129)	(6,928)
	Amortisation and impairment of goodwill and development projects	(455,063)	(70,927)	-	-
	Capitalisation of deferred tax	-	-	-	-
	Foreign exchange adjustment	19,229	2,638	-	-
	Other adjustments	-	-	-	1,018
	Reversal of amortisation and impairment on disposals	607,344	-	-	53,255
	Amortisation and impairment at 31 December	(393,620)	(566,868)	(98,492)	(97,363)
	Offset against receivables	60,463	60,625	-	-
	Provisions for negative equity	4,457	-	-	-
	Transfer for offset against receivables or provisions at 31 December	64,920	60,625	0	0
	Carrying amount at 31 December	**0**	**478,893**	**0**	**1,129**

* See note 17 to the consolidated financial statements for a description of movements in contingent consideration.
** In connection with the attempt to sell the investment in associates, the investment has been reclassified to available for sale investments in associates.

Accumulated amortisation and impairment of goodwill and development projects totalled DKK 91 million at 31 December 2012 (2011: DKK 105 million).

The carrying amount of intangible assets in connection with acquisitions at 31 December 2012 was DKK 0 million (2011: DKK 504 million). For information regarding the impairment test of the carrying amount of intangible assets, see note 9 to the consolidated financial statements.

Subsidiaries:

Name	Registered office	Ownership interest (%)	Share capital	Equity	Assets	Revenue	Net Profit/(loss)
NeuroSearch Sweden AB	Gothenburg	100	1,980	(197,499)	193,465	1,000	1,573
Poseidon	Ballerup	100	10,500	63,539	63,554	-	194
NsExplorer A/S	Ballerup	100	564	(3,549)	4	-	(29)

The specification of associates is identical to that of the group, and reference is therefore made to note 11 to the consolidated financial statements.

9 Available-for-sale property, plant and equipment

The specification for the parent company is identical to that of the group, and reference is therefore made to note 12 to the consolidated financial statements.

10 Other receivables

	2012	2011
Prepaid costs*	2,573	4,792
Project-related receivables**	2,829	8,856
Other receivables	9,683	32,982
Total	**15,085**	**46,630**

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

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

As of 31 December 2012, there were no indications of impairment of other receivables.

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

The specification for the parent company is identical to that of the group, and reference is therefore made to note 14 to the consolidated financial statements.

12 Cash

	2012	2011
Money market accounts	59,636	31,728
Total	**59,636**	**31,728**

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 counterparties are Nordea and Danske Bank.

13 Other reserves

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.

14 Acquisition of subsidiaries

The specification of contingent consideration and other contractual obligations for the parent company is identical to that of the group, and reference is therefore made to note 17 to the consolidated financial statements.

15 Mortgage debt

The specification for the parent company is identical to that of the group, and reference is therefore made to note 18 to the consolidated financial statements.

16 Finance lease

The specification for the parent company is identical to that of the group, and reference is therefore made to note 19 to the consolidated financial statements.

17 Current portion of long-term debt

The specification for the parent company is identical to that of the group, and reference is therefore made to note 20 to the consolidated financial statements.

18 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 21 to the consolidated financial statements for the statement for the group.

19 Related parties

The specification for the parent company is identical to that of the group, and reference is therefore made to note 22 to the consolidated financial statements.

20 Mortgage and collateral security

The specification for the parent company is identical to that of the group, and reference is therefore made to note 23 to the consolidated financial statements.

21 Contingent assets, contingent liabilities and commitments

Contingent assets
The parent company has an unrecognised deferred tax asset of DKK 451 million (2011: DKK 504 million). See note 5 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.

22 Finance lease

See information in the consolidated financial statements note 25.

23 Provisions

	2012	2011
Provisions at 1 January	108,000	0
Additions	4,457	108,000
Disposal	51,204	-
Reversal	53,940	-
Provisions at 31 December	**7,313**	**108,000**

Breakdown of provisions at 31 December:

Discontinued operations (see note 24)	2,856	108,000
Provision for negative equity in subsidiaries (see note 8)	4,457	-
Total	**7,313**	**108,000**

24 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®.

	2012	2011
Revenue	23,314	37,468
Profit/(loss) for the period	56,770	(329,339)
Intangible and tangible assets	0	0
Currents assets	2,830	8,856
Provsions*	2,856	108,000

* Provision of DKK 3 million (2011: DKK 108 million) relates to the remaining cost regarding to the discontinued operations.