

AXON NEUROSCIENCE SE

FINANCIAL STATEMENTS

For the year ended 31 December 2016

AXON Neuroscience SE

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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AXON NEUROSCIENCE SE**OFFICERS AND PROFESSIONAL ADVISORS**

Board of Directors	Daniel Legen Michal Novak Despina Cecilia Vikentios Vikentiou Raduz Motan
Secretary	Cymanco Services Limited
Independent Auditors	KPMG Limited
Banker	Postova Banka
Registered Office	4, Arch. Makariou & Kalogreon, Nicolaidis Sea View City, 5 th Floor, office 506, 6016, Larnaca, Cyprus.
Registration Number	SE 24



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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
AXON NEUROSCIENCE SE

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of AXON Neuroscience SE (the "Company"), which are presented on pages 5 to 27 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members

N.G. Syimias, A.K. Christofilides, P.G. Loizou, A.M. Gregoriades, D.S. Vakis, A.A. Anastolou,
S.A. Louzides, M.A. Louzides, S.G. Sofocleous, M.M. Antonades, C.V. Vasiliou, P.E. Antonades,
M.J. Haios, M.P. Michael, P.A. Pelletus, G.V. Markides, M.A. Paparosta, K.A. Papanicolaou,
A.I. Sthaninouts, G.N. Tzerizis, H.S. Charalambous, C.P. Anayiotis, I.P. Gholarios,
M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kallias, C.N. Kallis, M.H. Zavrou, P.S. Ela,
M.G. Lazarou, Z.E. Hadjzachariou, P.S. Theophanous, M.A. Karantoni, C.A. Marbidis,
G.V. Andreou, J.C. Nicolaiou, G.S. Pournonni, A.S. Sofocleous, G.N. Spyriou, I.J. Yiassemides,
A.A. Barchily, K.A. Christofilides, P.P. Yiarizos

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AXON NEUROSCIENCE SE

Emphasis of matter

We draw attention to note 22 of the financial statements which describes the basis of capitalization of development costs. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
AXON NEUROSCIENCE SE

Auditors' responsibilities for the audit of the financial statements *(continued)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors' Law of 2017, as amended from time to time and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 April 2016.

Michael J. Halios, BSc (Hons), CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
Millenium Lion House
1 G. Aradipioti Street
6016, Larnaca
Cyprus

30 June 2017

AXON NEUROSCIENCE SE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2016

	Note	31/12/2016 €	31/12/2015 €
Other income	4	975.411	43.121
Administrative expenses	5	<u>(15.147.411)</u>	<u>(13.121.666)</u>
Operating loss		<u>(14.171.700)</u>	<u>(13.078.545)</u>
Finance income		42.771	5.030
Finance expenses		<u>(734.641)</u>	<u>(1.298.050)</u>
Net finance expenses	6	<u>(691.870)</u>	<u>(1.293.020)</u>
Loss before tax		<u>(14.863.570)</u>	<u>(14.371.565)</u>
Tax	7	<u>-</u>	<u>-</u>
Loss for the year		<u>(14.863.570)</u>	<u>(14.371.565)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive expense for the year		<u>(14.863.570)</u>	<u>(14.371.565)</u>

The notes on pages 9 to 27 are an integral part of these financial statements.

AXON NEUROSCIENCE SE

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31/12/2016 €	31/12/2015 €	01/01/2015 €
Assets				
Non-current assets				
Property, plant and equipment	8	2.059.472	3.803.442	4.092.906
Intangible assets and goodwill	9	13.439.615	11.156.171	12.571.016
Investments in subsidiaries	10	4.652.000	-	-
Total non-current assets		<u>20.151.087</u>	<u>14.959.613</u>	<u>16.663.922</u>
Current assets				
Lab supplies	11	1.850.585	876.116	869.008
Trade and other receivables	12	1.531.690	907.093	223.894
Other investments	13	500	500	500
Cash and cash equivalents	14	139.263	1.221.890	397.516
Total current assets		<u>3.522.038</u>	<u>3.005.599</u>	<u>1.490.918</u>
Total assets		<u>23.673.125</u>	<u>17.965.212</u>	<u>18.154.840</u>
Equity				
Share capital	15	27.512.000	27.512.000	27.512.000
Reserves		(26.424.953)	(11.561.383)	(22.082.816)
Total equity		<u>1.087.047</u>	<u>15.950.617</u>	<u>5.429.184</u>
Liabilities				
Non-current liabilities				
Loans and borrowings	16	16.109.907	-	-
Total non-current liabilities		<u>16.109.907</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	17	6.475.568	1.736.208	12.677.177
Deferred income	18	-	230.951	-
Tax liability	19	603	47.436	48.479
Total current liabilities		<u>6.476.171</u>	<u>2.014.595</u>	<u>12.725.656</u>
Total liabilities		<u>22.586.078</u>	<u>2.013.595</u>	<u>12.725.656</u>
Total equity and liabilities		<u>23.673.125</u>	<u>17.965.212</u>	<u>18.154.840</u>

On 30 June 2017 the Board of Directors of AXON Neuroscience SE approved and authorised these financial statements for issue.



 Daniel Legen
 Director



 Raduz Motan
 Director

The notes on pages 9 to 27 are an integral part of these financial statements.

AXON NEUROSCIENCE SE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital €	Reserves €	Retained earnings €	Total €
Balance at 1 January 2015	27.512.000	12.000	(22.149.612)	5.374.388
Loss for the year	-	-	(14.371.565)	(14.371.565)
Additions	-	24.947.794	-	24.947.794
Balance at 31 December 2015	<u>27.512.000</u>	<u>24.959.794</u>	<u>(36.521.177)</u>	<u>15.950.617</u>
Balance at 1 January 2016	27.512.000	24.959.794	(36.521.177)	15.950.617
Loss for the year	-	-	(14.863.570)	(14.863.570)
Balance at 31 December 2016	<u>27.512.000</u>	<u>24.959.794</u>	<u>(51.384.747)</u>	<u>1.087.047</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The notes on pages 9 to 27 are an integral part of these financial statements.

AXON NEUROSCIENCE SE

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	31/12/2016 €	31/12/2015 €
Cash flows from operating activities			
Loss for the year		(14.863.570)	(14.371.565)
Adjustments for:			
Impairment of goodwill		2.445.761	-
Amortization of intangible assets		1.446.722	1.448.595
Depreciation of property, plant and equipment	8	198.027	523.133
Unrealised exchange loss	6	4.232	-
Interest income	6	(41.014)	(74)
Interest expense	6	<u>724.247</u>	<u>1.189.965</u>
Cash used in operations before working capital changes		(12.531.656)	(11.209.946)
Increase in inventories		(974.469)	(256.723)
Decrease/(increase) in trade and other receivables		586.520	(337.236)
Increase in trade and other payables		409.035	(762.978)
(Decrease)/increase in deferred income		<u>(230.951)</u>	<u>230.951</u>
Cash used in operations		(12.741.521)	(12.335.931)
Tax (paid)/refunded		<u>(46.833)</u>	<u>(264)</u>
Net cash used in operating activities		<u>(12.788.354)</u>	<u>(12.336.195)</u>
Cash flows from investing activities			
Payment for acquisition of intangible assets		-	(33.750)
Payment for acquisition of property, plant and equipment	8	(333.326)	(513.344)
Payment for acquisition of investments in subsidiaries		(3.391.961)	-
Proceeds from disposal of property, plant and equipment	8	-	279.675
Interest received		<u>41.041</u>	<u>74</u>
Net cash generated from/(used in) investing activities		<u>(3.684.273)</u>	<u>(267.345)</u>
Cash flows from financing activities			
Proceeds from borrowings		15.390.000	-
Proceeds from capital contributions		-	14.927.914
Loan repayments		<u>-</u>	<u>(1.500.000)</u>
Net cash generated from/(used in) financing activities		<u>15.390.000</u>	<u>(13.427.914)</u>
Net increase/(decrease) in cash and cash equivalents		(1.082.627)	824.374
Cash and cash equivalents at beginning of the year		<u>1.221.890</u>	<u>397.516</u>
Cash and cash equivalents at end of the year	14	<u><u>139.263</u></u>	<u><u>1.221.890</u></u>

The notes on pages 9 to 27 are an integral part of these financial statements.

AXON NEUROSCIENCE SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

1. INCORPORATION AND PRINCIPAL ACTIVITIES

AXON Neuroscience SE was incorporated on 24 January 2011. On 17 May 2016 redomicile to Cyprus. AXON Neuroscience SE is registered as a private limited liability under the Cyprus Companies Law, Cap. 113 and its registered office is at 4 Arch. Makariou & Kalogreon, Nicolaides Sea View City, 5th floor, office 506, 6016, Larnaca, Cyprus.

AXON Neuroscience SE is a clinical-stage biotech company developing disease-modifying immunotherapeutic for Alzheimer's disease and Frontotemporal lobar degeneration. The principal activities of the company are the holding of investments and the licensing of its patented products.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2016.

The European Union has concluded that since its 4th Directive requires parent companies to prepare separate financial statements, and since the Cyprus Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the European Union, the provisions of International Financial Reporting Standard 10 'Consolidated Financial Statements' that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

During the current year the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Notes 10 and 3 "Consolidated financial statements" - consolidation: whether the Group has de facto control over the investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 9 - impairment test: key assumptions underlying recoverable amounts and value in use.
- Note 23 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 12 "Provision for bad and doubtful debts" - the Company reviews its trade and other receivables for evidence of their recoverability.
- Note 11 "Provision for obsolete and slow-moving inventory" - the Company reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal.
- Note 19 "Income taxes" - to determine any provision for income taxes.
- Notes 10 and 3 "Impairment of investments in subsidiaries" - determine the recoverability of investments in subsidiaries whenever indicators of impairment are present.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

AXON NEUROSCIENCE SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

2. BASIS OF PREPARATION *(continued)***(d) Use of estimates and judgments** *(continued)*

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in notes:

- Note 21 - Financial instruments

(e) Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements.

First-time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2015, the Company prepared its financial statements in accordance with Slovak local generally accepted accounting practice (Local GAAP).

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2016, together with the comparative period data as at and for the year ended 31 December 2015, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2015, the Company's date of transition to IFRS.

There were no adjustments necessary to be implemented by the Company in preparing its statement of financial position as at 1 January 2015 and its previously published Local GAAP financial statements as at and for the year ended 31 December 2014. No adjustments were necessary since the recognition and measurement principals for the items on the financial position under Local GAAP were in line with the principals under IFRS.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity as transactions with shareholders acting in their capacity as shareholders. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

When the Company loses control of a subsidiary, the resulting profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The resulting profit or loss is recognised in profit or loss.

Any interest retained in the former subsidiary is measured at fair value when control is lost.

AXON NEUROSCIENCE SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are stated at cost, which includes transaction costs, less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, returns, volume rebates and trade discounts.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance expenses

Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency translation*(i) Functional currency*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Property under construction	-
Motor vehicles	20
Furniture, fixtures and office equipment	20

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred income

Deferred income represents income receipts which relate to future periods.

Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Intangible assets *(continued)**(ii) Patents and trademarks*

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The annual depreciation rates used for the current and comparative periods are 10%.

(iii) Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses. The annual depreciation rates used for the current and comparative periods are 33%.

(iv) Internally-generated intangible assets - research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted accordingly.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

Recognition and measurement:

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. For financial assets at fair value through profit or loss the directly attributable transaction costs are recognised in profit or loss as incurred.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

(ii) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash at bank and in hand.

(iii) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(iv) Trade and other payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

AXON NEUROSCIENCE SENOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*Derecognition of financial assets and liabilities*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of non-financial assets

Assets (other than biological assets, investment property, inventories and deferred tax assets) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Share capital

Ordinary shares are classified as equity.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. OTHER INCOME

	31/12/2016	31/12/2015
	€	€
Other operating income	898.497	43.121
Revenue from sale of non-current assets	68.664	-
Revenue from services	8.250	-
	<u>975.411</u>	<u>43.121</u>

5. ADMINISTRATIVE EXPENSES

	31/12/2016	31/12/2015
	€	€
Impairment of goodwill	2.455.761	-
Amortization of intangible assets	1.446.422	1.448.595
Depreciation of property, plant and equipment	198.027	523.133
Staff costs	1.072.244	3.659.658
Clinical services fees	4.360.481	3.201.636
Material consumption expenses	2.061.395	1.476.095
Other administrative expenses	<u>3.553.081</u>	<u>2.812.549</u>
Total administrative expenses	<u>15.147.411</u>	<u>13.121.666</u>

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. NET FINANCE INCOME AND EXPENSES

	31/12/2016	31/12/2015
	€	€
Interest income	41.014	74
Exchange profit	<u>1.757</u>	<u>4.956</u>
	<u>42.771</u>	<u>5.030</u>
Net foreign exchange transaction losses	(5.989)	(103.370)
Interest expense	(724.247)	(1.189.965)
Sundry finance expenses	<u>(4.405)</u>	<u>(4.715)</u>
Finance expenses	<u>(734.641)</u>	<u>(1.298.050)</u>
Net finance expenses	<u><u>(691.870)</u></u>	<u><u>(1.293.020)</u></u>

7. TAXATION

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	31/12/2016	31/12/2016	31/12/2015	31/12/2015
		€		€
Accounting loss before tax		<u>(14.863.570)</u>		<u>(14.371.564)</u>
Tax calculated at the applicable tax rates	12,50%	(1.857.946)	12,50%	(1.796.446)
Tax effect of expenses not deductible for tax purposes	(2,29)%	340.338	-%	-
Tax effect of allowances and income not subject to tax	0,04%	(5.346)	(12,50)%	1.796.446
Tax effect of loss for the year	<u>(10,25)%</u>	<u>1.522.954</u>	<u>-%</u>	<u>-</u>
Tax as per statement of profit or loss and other comprehensive income - charge	<u>-%</u>	<u>-</u>	<u>-%</u>	<u>-</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Tax losses may be carried forward for five years.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. PROPERTY, PLANT AND EQUIPMENT

31/12/2016	Land and buildings	Property under construction	Motor vehicles	Furniture, fixtures and office equipment	Computer Hardware	Total
	€	€	€	€	€	€
Cost						
Balance at 1 January	488.078	1.764.095	-	3.939.169	-	6.191.342
Additions	-	269.207	20.200	31.407	12.512	333.326
Transfer to subsidiaries	(488.078)	-	-	(3.970.576)	-	(4.458.654)
Balance at 31 December	-	2.033.302	20.200	-	12.512	2.066.014
Depreciation						
Balance at 1 January	59.816	-	-	2.328.084	-	2.387.900
Transfer to subsidiaries	(59.816)	-	-	(2.323.080)	-	(2.382.896)
Depreciation for the year	-	-	4.040	191.485	2.502	198.027
Balance at 31 December	-	-	4.040	-	2.502	6.542
Carrying amounts						
Balance at 31 December	-	2.033.302	16.160	-	10.010	2.059.472
31/12/2015	Land and buildings	Property under construction	Motor vehicles	Furniture, fixtures and office equipment	Computer Hardware	Total
	€	€	€	€	€	€
Cost						
Balance at 1 January	488.078	1.810.101	-	3.659.494	-	5.957.673
Additions	-	233.669	-	279.675	-	513.344
Disposals	-	(279.675)	-	-	-	(279.675)
Balance at 31 December	488.078	1.764.095	-	3.939.169	-	6.191.342
Depreciation						
Balance at 1 January	35.412	-	-	1.829.355	-	1.864.767
Depreciation for the year	24.404	-	-	498.729	-	523.133
Balance at 31 December	59.816	-	-	2.328.084	-	2.387.900
Carrying amounts						
Balance at 31 December	428.262	1.764.095	-	1.611.085	-	3.803.442

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**9. INTANGIBLE ASSETS AND GOODWILL****31/12/2016**

	Goodwill €	Computer software €	Development costs €	Patents and trademarks €	Total €
Cost					
Balance at 1 January	2.455.761	50.350	-	14.428.750	16.934.861
Acquisitions-internally developed	-	-	6.225.240	-	6.225.240
Transfer to subsidiary	-	(50.350)	-	-	(50.350)
Impairment of goodwill	(2.455.761)	-	-	-	(2.455.761)
Balance at 31 December	-	-	6.225.240	14.428.750	20.653.990
Amortisation					
Balance at 1 January	-	7.190	-	5.771.500	5.778.690
Transfer to subsidiaries	-	(7.190)	-	(3.547)	(10.737)
Charge for the year	-	-	-	1.446.422	1.446.422
Balance at 31 December	-	-	-	7.214.375	7.214.375
Carrying amounts					
Balance at 31 December	-	-	6.225.240	7.214.375	13.439.615

31/12/2015

	Goodwill €	Computer software €	Development costs €	Patents and trademarks €	Total €
Cost					
Balance at 1 January	2.455.761	16.600	-	14.428.750	16.901.111
Additions	-	33.750	-	-	33.750
Balance at 31 December	2.455.761	50.350	-	14.428.750	16.934.861
Amortisation					
Balance at 1 January	-	1.470	-	4.328.625	4.330.095
Charge for the year	-	5.720	-	1.442.875	-
Balance at 31 December	-	7.190	-	5.771.500	5.778.690
Carrying amounts					
Balance at 31 December	2.455.761	43.160	-	8.657.250	11.156.171

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. INVESTMENTS IN SUBSIDIARIES

	31/12/2016 €	31/12/2015 €
Balance at 1 January	-	-
Additions	<u>4.652.000</u>	<u>-</u>
Balance at 31 December	<u><u>4.652.000</u></u>	<u><u>-</u></u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>	<u>31/12/2016 €</u>
Axon Neuroscience CRM Services SE	Slovakia	Clinical and medical management	100	802.000
Axon Neuroscience R&D Services SE	Slovakia	Research and development	100	<u>3.850.000</u>
				<u><u>4.652.000</u></u>

The investment in the subsidiary companies is stated at cost.

11. LAB SUPPLIES

	31/12/2016 €	31/12/2015 €
Lab supplies	<u>1.850.585</u>	<u>876.116</u>
	<u><u>1.850.585</u></u>	<u><u>876.116</u></u>

The Company reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

During 2016 inventories write-down to net realizable value amounted to €110.710 (2015 €127.910).

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. TRADE AND OTHER RECEIVABLES

	31/12/2016	31/12/2015
	€	€
Receivables from own subsidiaries (note 20 (i))	1.211.117	-
VAT Refundable	130.256	121.703
Deferred expenses	134.932	286.394
Other receivables	<u>55.385</u>	<u>498.996</u>
	<u>1.531.690</u>	<u>907.093</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 21 to the financial statements.

13. OTHER INVESTMENTS

	31/12/2016	31/12/2015
	€	€
Balance at 1 January	<u>500</u>	<u>500</u>
Balance at 31 December	<u>500</u>	<u>500</u>

14. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the cash and cash equivalents comprise of the following:

	31/12/2016	31/12/2015
	€	€
Cash at bank and in hand	<u>139.263</u>	<u>1.221.890</u>
	<u>139.263</u>	<u>1.221.890</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 21 to the financial statements.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. SHARE CAPITAL

	31/12/2016 Number of shares	31/12/2016 €	31/12/2015 Number of shares	31/12/2015 €
Issued and fully paid				
Balance at 1 January	<u>27.392.012</u>	<u>27.512.000</u>	<u>27.392.012</u>	<u>27.512.000</u>
Balance at 31 December	<u>27.392.012</u>	<u>27.512.000</u>	<u>27.392.012</u>	<u>27.512.000</u>

16. LOANS AND BORROWINGS

	31/12/2016 €	31/12/2015 €
Non-current liabilities		
Loan from parent company (note 21 (iii))	<u>16.109.907</u>	<u>-</u>
	<u>16.109.907</u>	<u>-</u>

Maturity of borrowings:

	31/12/2016 €	31/12/2015 €
Between one and five years	<u>16.109.907</u>	<u>-</u>

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 21 to the financial statements.

17. TRADE AND OTHER PAYABLES

	31/12/2016 €	31/12/2015 €
Trade payables	1.521.871	1.226.971
Social insurance and other taxes	9.317	91.353
Payable to employees	40.288	179.031
Accruals	21.904	238.853
Payables to own subsidiaries (note 20 (ii))	<u>4.882.188</u>	<u>-</u>
	<u>6.475.568</u>	<u>1.736.208</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 21 to the financial statements.

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**18. DEFERRED INCOME**

	31/12/2016	31/12/2015
	€	€
Grant received	-	230.951
	<u>-</u>	<u>230.951</u>

19. TAX LIABILITY

	31/12/2016	31/12/2015
	€	€
Corporation tax	603	47.436
	<u>603</u>	<u>47.436</u>

The above amounts are payable within one year.

20. RELATED PARTY TRANSACTIONS

The Company is controlled by Axon Holding SE, incorporated in Cyprus, which owns 73,60% of the Company's shares

The transactions and balances with related parties are as follows:

(i) Receivables from own subsidiaries (note 12)

		31/12/2016	31/12/2015
		€	€
<u>Name</u>	<u>Nature of transactions</u>		
Axon Neuroscience R&D Services SE	Trade	559.626	-
Axon Neuroscience CRM Services SE	Trade	651.491	-
		<u>1.211.117</u>	<u>-</u>

The receivables from the subsidiary companies do not bear any interest and are repayable on demand.

(ii) Payables to own subsidiaries (note 17)

		31/12/2016	31/12/2015
		€	€
<u>Name</u>	<u>Nature of transactions</u>		
Axon Neuroscience R&D Services SE	Trade	1.232.530	-
Axon Neuroscience CRM Services SE	Trade	2.236.690	-
Axon Neuroscience R&D Services SE	Corporate	1.394.544	-
Axon Neuroscience CRM Services SE	Trade	18.424	-
		<u>4.882.188</u>	<u>-</u>

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. RELATED PARTY TRANSACTIONS *(continued)***(iii) Loan from parent company (note 16)**

	31/12/2016	31/12/2015
	€	€
Axon Holding SE	<u>16.109.907</u>	<u>-</u>

The loan in the principal amount of €15.390.000 bears interest at the rate of 10% per annum and has repayment date 31 March 2021. As per agreement, the parent company is obliged to provide to AXON Neuroscience SE financial funds within the amount of €50.000.000.

21. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**Financial risk factors**

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31/12/2016	Carrying amount	
	Loans and receivables €	Total €
Financial assets not measured at fair value		
Trade and other receivables	1.531.690	1.531.690
Cash and cash equivalents	<u>139.263</u>	<u>139.263</u>
	<u>1.670.953</u>	<u>1.670.953</u>
Financial liabilities not measured at fair value		
Trade payables	<u>6.475.568</u>	<u>6.475.568</u>
	<u>6.475.568</u>	<u>6.475.568</u>

AXON NEUROSCIENCE SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**21. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT** *(continued)*

31/12/2015

	Carrying amount	
	Loans and receivables	Total
	€	€
Financial assets not measured at fair value		
Trade and other receivables	907.093	907.093
Cash and cash equivalents	<u>1.221.890</u>	<u>1.221.890</u>
	<u>1.897.895</u>	<u>1.897.895</u>
Financial liabilities not measured at fair value		
Trade payables	<u>1.736.208</u>	<u>1.736.208</u>
	<u>1.736.208</u>	<u>1.736.208</u>

B. Financial risk management*(i) Credit risk*

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31/12/2016	31/12/2015
	€	€
Trade and other receivables	320.573	907.093
Cash and cash equivalents	131.555	1.203.894
Receivables from related companies	<u>1.211.117</u>	<u>-</u>
	<u>1.663.245</u>	<u>2.110.987</u>

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and are undiscounted, and include estimated interest payments:

31 December 2016

	Carrying amounts	Contractual cash flows	Between 3-12 months	Between 1-5 years
	€	€	€	€
Trade and other payables	1.593.380	1.593.380	1.593.380	-
Payables to related parties	4.882.188	4.882.188	4.882.188	-
Loan from parent company	<u>16.109.907</u>	<u>16.109.907</u>	<u>-</u>	<u>16.109.907</u>
	<u>22.585.475</u>	<u>22.585.475</u>	<u>6.475.568</u>	<u>16.109.907</u>

31 December 2015

	Carrying amounts	Contractual cash flows	Between 3-12 months	Between 1-5 years
	€	€	€	€
Trade and other payables	<u>1.736.208</u>	<u>1.736.208</u>	<u>1.736.208</u>	<u>-</u>
	<u>1.736.208</u>	<u>1.736.208</u>	<u>1.736.208</u>	<u>-</u>

AXON NEUROSCIENCE SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

21. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *(continued)***Capital management**

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the striving to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

22. EMPHASIS OF MATTER

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. During the year under review development costs in the amount of € 6.225.240 have been capitalised. Management will reassess each year the value of the development costs capitalized and relevant provisions will be recognized if deemed necessary.

23. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2016.

24. COMMITMENTS

The Company had no capital or other commitments as at 31 December 2016.

25. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

On 30 June 2017 the Board of Directors of AXON Neuroscience SE approved and authorised these financial statements for issue.