8. Consolidated financial statements prepared in accordance with IFRS for the financial year ended December 31, 2015

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

In euros	*Notes*	Dec. 31, 2015	Dec. 31, 2014 (Pro forma)
ASSETS			
Intangible assets	7	4 933 921	2 019 819
Property, plant and equipment	8	1 475 914	522 472
Other non-current financial assets		50 534	5 250
Total non-current assets		**6 460 369**	**2 547 540**
Inventories	9	1 007 321	720 601
Trade receivables	10	493 578	101 305
Other receivables	10	1 931 532	1 845 731
Other current financial assets	11	20 219 721	-
Cash and cash equivalents		6 232 837	3 480 891
Total current assets		**29 884 988**	**6 148 528**
Total assets		**36 345 358**	**8 696 068**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	12	10 788 528	6 056 361
Share premium	12	83 329 544	41 913 355
Currency translation reserve		(142 256)	(73 459)
Reserves		(49 002 480)	(44 201 658)
Loss for the year		(14 464 246)	(6 677 620)
Total shareholders' equity		**30 509 089**	**(2 983 021)**
Employee benefit obligations	14	5 990	1 341
Non-current financial loans and borrowings	13	2 778 094	9 508 602
Non-current liabilities		**2 784 084**	**9 509 943**
Trade payables	15	2 025 548	1 578 099
Tax, personnel-related and other liabilities	15	1 026 638	591 047
Current liabilities		**3 052 185**	**2 169 146**
Total liabilities and shareholders' equity		**36 345 358**	**8 696 068**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

In euros	*Notes*	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014 (Pro forma)
Revenue	18	608 508	124 730
Manufacturing costs		(5 844 640)	(1 563 030)
Gross margin		**(5 236 133)**	**(1 438 300)**
Research and development expenses		(3 243 929)	(1 738 391)
Sales and marketing expenses		(1 556 723)	(1 486 369)
General and administrative expenses		(5 135 376)	(2 229 072)
Other income		550 616	5 468
Operating loss		**(14 621 544)**	**(6 886 664)**
Financial expenses	20	(1 059 096)	(1 643 013)
Financial income	20	90 319	13 672
Gain on extinguishment of convertible loan	20	-	1 449 692
Loss before income tax		**(15 590 321)**	**(7 066 313)**
Income tax benefit	21	1 126 075	388 693
Loss for the year		**(14 464 246)**	**(6 677 620)**
Basic loss per share (€/share)		**(2,453)**	**(0,033)**
Diluted loss per share (€/share)		**(2,453)**	**(0,033)**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

In euros	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014 (Pro forma)
Loss for the year	**(14,464,246)**	**(6,677,620)**
Foreign currency translation differences	(68,797)	52,911
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**(68,797)**	**52,911**
Total comprehensive loss	**(14,533,043)**	**(6,624,709)**

CONSOLIDATED CASH FLOW STATEMENT

In euros	*Notes*	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
Loss for the year		**(14 464 246)**	**(6 677 620)**
Amortization of intangible assets	7	739 365	199 495
Depreciation of property, plant and equipment	8	289 962	403 235
Provisions for pension		4 649	1 341
Share-based payments	19	1 940 002	55
Loss from disposal of property, plant and equipment		90 139	47 441
Other non-cash items		53 482	-
Interest net of extinguishment gain		-	161 229
Self-financing capacity before net financial debt and taxes		**(11 346 647)**	**(5 864 824)**
Change in working capital (*)		102 924	145 097
Net cash flows provided by (used in) operating activities		**(11 243 722)**	**(5 719 727)**
Purchase of intangible assets		(11 257)	(978)
Capitalization of development expenditures		(3 522 302)	(1 577 750)
Purchases of property, plant and equipment		(1 339 266)	(142 040)
Net cash flows provided by (used in) investing activities		**(4 872 825)**	**(1 720 768)**
Proceeds from issue of shares net of capital increase costs		31 706 659	5
Proceeds from issue of convertible loan		4 240 361	2 888 689
Proceeds from issue of bank loan		2 811 571	-
Change in other current financial assets		(20 219 721)	-
(Purchases) sales of treasury shares		(121 529)	-
Net cash flows provided by (used in) financing activities		**18 417 341**	**2 888 694**
Impact of changes in foreign exchange rates		451 154	311 943
Effect of reorganization of capital		-	50 320
Increase (decrease) in cash and cash equivalents		**2 751 948**	**(4 189 538)**
Cash and cash equivalents at the beginning of the period		3 480 891	7 670 429
Cash and cash equivalents at the end of the period		6 232 837	3 480 891

(*) Breakdown of change in working capital (WC)

In euros	*Notes*	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
Other non-current assets		(45,284)	(5,071)
Inventories		(249,070)	(35,314)
Trade receivables		(388,889)	(97,849)
Other receivables		31,492	(662,095)
Trade payables		345,024	722,739
Social security liabilities		409,652	222,687
Change in working capital		**102,924**	**145,097**

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

In euros	Notes	Capital *Number of shares*	Capital Ordinary and preferred shares (A/B)	Share premium	Retained earnings (accumulated losses)	Currency translation adjustment	Shareholders' equity
As of December 31, 2013 (Cellnovo Ltd.) (*)		***199,708,188***	**1,853**	**53,535,945**	**(49,806,799)**	**(126,370)**	**3,604,629**
Loss for 2014 (pro forma)		-	-	-	(6,677,620)	-	(6,677,620)
Other comprehensive income (loss)		-	-	-	-	52,911	52,911
Total comprehensive loss for 2014		**-**	**1,853**	**53,535,945**	**(56,484,419)**	**(73,459)**	**(3,020,080)**
Shares issued		*6,218,666*	6,019,366	41,913,355	-	-	47,932,721
Share-based payments	19	-	-	-	55	-	55
Effect of reorganization of capital		(199,870,493)	35,142	(53,535,945)	5,605,086	-	(47,895,717)
As of December 31, 2014 (pro forma)		**6,056,361**	**6,056,361**	**41,913,355**	**(50,879,278)**	**(73,459)**	**(2,983,021)**
Loss for 2015		-	-	-	(14,464,246)	-	(14,464,246)
Other comprehensive income (loss)		-	-	-	-	(68,797)	(68,797)
Total comprehensive loss for 2015		**6,056,361**	**6,056,361**	**41,913,355**	**(65,343,524)**	**(142,256)**	**(17,516,064)**
Shares issued	12	4,732,167	4,732,167	41,416,189	-	-	46,148,356
Share-based payments	19	-	-	-	1,940,002	-	1,940,002
Derivatives issued		-	-	-	53,482	-	53,482
Cellnovo treasury shares		-	-	-	(121,529)	-	(121,529)
Other		-	-	-	4,843	-	4,843
As of December 31, 2015		**10,788,528**	**10,788,528**	**83,329,544**	**(63,466,727)**	**(142,256)**	**30,509,089**

(*) The method used to prepare the pro forma information is explained in Note 4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

Cellnovo Group SA (hereafter "the Company") is a French corporation (*société anonyme*) having its registered office in Paris. The Cellnovo Group (comprising the Company and its subsidiaries, hereafter "the Group" or "Cellnovo") manufactures and distributes a proprietary diabetes management system that comprises a patch micro-pump (i.e. tubeless), a touch screen handset with integrated blood glucose monitor and functions (activity, history, nutrition, blood glucose level) as well as a secure access to a web-based clinical management tool. This system helps to simplify the everyday life of patients. It also enables patients and healthcare professionals to monitor patients' insulin use, activity and diet, in real time, as well as their blood glucose level after the analysis of one drop of blood sample taken from a fingertip. These four parameters are essential for diabetes management. Although some stages in the treatment of diabetes still require an active participation of patients (analysis of blood glucose level and injectable insulin during meal time), to this day, the Cellnovo system is the most automated on the market.

The scope of the Group's consolidated financial statements for the financial year ended December 31, 2015 consists of Cellnovo Group SA and its subsidiaries: Cellnovo France SAS (the subsidiary in France), Cellnovo Ltd. (the subsidiary in the UK) and Cellnovo Inc. (the subsidiary in the US). On November 26, 2015, the Company decided to dissolve Cellnovo France SAS without liquidation, which resulted in the transfer of all Cellnovo France SAS assets and liabilities to the Company as of December 31, 2015.

Highlights of the financial year

Already active in France and the UK, Cellnovo expanded the marketing of its insulin pump to other countries via a network of key distributors. As a first step in its international expansion strategy, Cellnovo signed an agreement with Air Liquide Santé for distribution in several European countries. To further support its expansion and manage growth, the Group has developed an industrial partnership. A public offering provided the means to finance its growth.

On February 27, 2015, Cellnovo announced the filing of a Registration Document (*Document de Base*) in connection with its planned initial public offering on the Euronext regulated market in Paris.

On June 17, 2015, Cellnovo announced that it had joined the Diabeloop© artificial pancreas research program. Cellnovo will provide its wireless insulin pump and mobile diabetes management system for the development of an artificial pancreas system. Ten French university hospitals are participating in this project. The artificial pancreas is designed to monitor and automatically regulate the blood glucose levels of people with type 1 diabetes when insulin is administrated.

On June 29, 2015, Cellnovo launched its initial public offering (IPO) on the Euronext regulated market in Paris. The IPO prospectus was approved by the French Financial Markets Authority (*Autorité des Marchés Financiers - AMF*) on June 26, 2015.

On July 9, 2015, Cellnovo announced the successful completion of its IPO in compartment C of the Euronext regulated market in Paris, having raised €31,6 million through a capital increase. The price of the Open-Price Offering (public offering intended for individuals, primarily in France) and the Global Placement (private placement intended for institutional investors in France and internationally) was set at €10,63 per share. The number of shares issued totaled 2 969 557, representing a capital increase of €31,56 million. 80 000 additional shares were issued as part of an overallotment option, corresponding to a capital increase of €850 401.

On September 29, 2015, Cellnovo announced the effective start of its expanded partnership with Flex (formerly Flextronics) for the large scale manufacturing and assembly of its disposable insulin cartridges. A leading provider of end-to-end supply chain solutions, Flex is an excellent partner to help advance Cellnovo's manufacturing to an industrial stage.

As from December 29, 2015, the Cellnovo shares are eligible for the long-only Deferred Settlement Service (SRD) on Euronext Paris.

Note 2 Summary of significant accounting policies

2.1 - Principle and declaration of compliance

The Group's consolidated financial statements for the financial year ended December 31, 2015 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of December 31, 2015 and available on the following website: http://ec.europa.eu/finance/accounting/ias/index_en.htm

These financial statements are presented in euros and were approved by the Board of Directors at its meeting of April 26, 2016.

2.2 – Accounting standards applied

The accounting policies used for the preparation of the consolidated financial statements for the financial year ended December 31, 2015 are identical to those used by the Group for the preparation of the consolidated financial statements for the financial year ended December 31, 2014, except for the following newly applicable standards.

Standards, interpretations and amendments that are mandatory for financial periods beginning on or after January 1, 2015

The following are concerned:

- IFRIC Interpretation 21 "Taxes";
- amendments issued as a result of the annual improvements to IFRS standards - cycle 2011-2013, published in December 2014.

These interpretations and amendments had no material impact on the Group's consolidated financial statements.

Standards, interpretations and amendments published and adopted by the European Union but not yet mandatory as of January 1, 2015

The following are concerned:

- amendments issued as a result of the annual improvements to IFRS standards - cycle 2010-2012, published in December 2013 and mandatory for Cellnovo as from the 2016 financial year;
- amendments issued as a result of the annual improvements to IFRS standards - cycle 2012-2014, published in September 2014 and mandatory for Cellnovo as from the 2016 financial year;
- amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization", published in May 2014 and mandatory as from 2016.

The Group has not opted for the early application of the standards and interpretations approved by the European Union but not mandatory as of January 1, 2015.

Other standards and interpretations not yet approved by the European Union

These standards and interpretations are mainly as follows:

- IFRS 9 "Financial Instruments": mandatory for financial periods beginning on or after January 1, 2018 according to the International Accounting Standards Board (IASB), establishing the principles for the accounting and financial reporting of financial assets and financial liabilities and replacing those currently set out in IAS 39 "Financial Instruments";
- IFRS 15 "Revenue from Contracts with Customers," mandatory for financial periods beginning on or after January 1, 2018 according to the IASB, defining the revenue recognition model and replacing IAS 18 "Revenue" and IAS 11 "Construction Contracts";
- IFRS 16 "Leases".

The Group is currently conducting an analysis to identify the expected impacts of the first-time adoption of these new standards, amendments and interpretations, with the exception of IFRS 15 and IFRS 16 for which the diagnostic phase will start in 2016.

2.3 - Basis of preparation and presentation of the consolidated financial statements

Basis of measurement

The consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, except for the revaluation of certain financial instruments. The financial information is presented in euros except when otherwise indicated.

Use of judgments and estimates

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise judgment while of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.4 – Basis of consolidation

Full consolidation method

The subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions and balances and unrealized gains on transactions between Group companies are eliminated. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

As of December 31, 2015, the Company directly or indirectly held two subsidiaries, Cellnovo Ltd. and Cellnovo Inc., both wholly owned. Both subsidiaries are fully consolidated. Cellnovo France SAS' assets and liabilities, as well as income and expense items are also included in the consolidated financial statements.

Therefore, Cellnovo Group (the parent company based in France) is presenting consolidated financial statements for the financial year ended December 31, 2015, which incorporate the financial statements of its subsidiaries.

2.5 – Functional and presentation currency

Determining the functional currency and foreign currency transactions

The functional currency of the Group's subsidiaries is the local currency. Foreign currency transactions by subsidiaries are translated into the functional currency using the exchange rates effective on the transaction dates. Monetary items included in the statement of financial position are remeasured at the closing rate effective on each reporting date. The corresponding foreign currency translation differences are recognized in the income statement.

Translation of foreign currency financial statements

The financial statements of foreign entities whose functional currency is not the euro (the presentation currency for the Group's consolidated financial statements) are translated into euros as follows:

- assets and liabilities are translated at the closing rate;
- income and expense items are translated using the average exchange rate for the reporting period;
- the translation differences arising from using these various rates are recognized in other comprehensive income.

The pound sterling (main functional currency outside the euro) to euro exchange rates used by the Group for the relevant reporting periods are as follows:

	Opening exchange rate	Average exchange rate	Closing exchange rate
December 31, 2014	0.8337	0.8064	0.7789
December 31, 2015	0.7789	0.7258	0.7340

2.6 - Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of the revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

The Group bases its estimate of returns on historical results, taking into consideration industry norms.

2.7 – Intangible assets

Research and development expenditures

Expenditures associated with research are recognized as an expense when incurred. Development expenditures that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditures attributable to the product during its development can be reliably measured.

Directly attributable expenditures that are capitalized as part of the product include the development personnel expenditures and an appropriate portion of relevant general and administrative expenditures.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

Development expenditures recognized as assets are amortized over their estimated useful lives, which do not exceed five years.

License agreements

In order for the Group to use the most efficient and effective manufacturing techniques for its products, license agreements may be entered into with third parties for access to such processes and techniques.

Such license agreement costs are capitalized as intangible assets and amortized over the term of the license.

2.8 – Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Item	Depreciation period
Plant and machinery	3-10 years straight line
Fixtures and fittings	5 years straight line

The depreciation expense for property, plant and equipment is recognized in the income statement under the following financial statement line items:

- Manufacturing costs;
- Sales and marketing expenses;
- General and administrative expenses, for the depreciation of general facilities, fixtures and fittings, office and computer equipment, furniture;
- Research and development expenses, for laboratory equipment and tangible assets at the laboratory.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, as of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.9). Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the income statement.

2.9 – Recoverable value of non-current assets

Non-current assets are subjected to an impairment test whenever there is an internal or external indication that an asset may have lost value.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable value. The recoverable value of an asset is its fair value less selling costs, or its value in use, whichever is higher.

As of December 31, 2014 and 2015, no non-current assets presented an internal or external indication of impairment.

2.10 – Lease agreements

Lease agreements in which substantially all risks and benefits have not been transferred by the lessor, are treated as operating leases. The payments made for operating leases, net of incentive fees, are recognized in profit or loss using the straight-line method over the term of the contract.

2.11 – Inventories

Inventories comprise individual components and other raw materials purchased from third parties to be used in the manufacture of products once launched.

Inventories are valued at the lower of cost or net realizable value, determined under the first-in, first-out method.

The Group periodically reviews inventories for potential impairment based on quantities on hand, expectations of future use, judgments based on quality control testing data and assessments of the likelihood of scrapping or outdated certain inventories.

Provisions for impairment losses on inventories are recorded in manufacturing costs.

2.12 – Cash and cash equivalents

Cash and cash equivalents include cash at banks and cash at hand.

2.13 – Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: financial instruments listed on an active market;

Level 2: financial instruments whose valuation methods rely on observable inputs;

Level 3: financial instruments whose valuation methods rely entirely or partly on unobservable inputs, an unobservable input being defined as one whose measurement relies on assumptions or correlations that are not based on the prices of observable market transactions for a given instrument or on observable market data on the valuation date.

The individual components of convertible loans are measured at fair value based on Level 3.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

The fair value of financial instruments that have no active market is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Where there is a substantial modification of the terms of an existing financial liability, this is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is a least 10% different from the discounted present value of the remaining cash flow of the original financial liability.

Any gain or loss on extinguishment is taken to financial income or financial expenses.

2.14 – Research and development tax credits

In the UK, research and development tax credits are granted to companies as an incentive for technical and scientific research. Companies with expenses that meet the eligibility criteria receive a tax credit that can be used to pay the corporate income tax due in the year in which it is granted as well as in the following two financial years or, as the case may be, any tax losses can be surrendered to HMRC for a cash payment.

The research and development tax credit is presented in the income statement within income tax expenses. This tax credit awarded in the UK is part of the "Small to Medium Enterprises (SME)" program, which links the tax credit received to the tax position of the company concerned (profitable companies are treated differently from those with losses). Therefore, in line with the generally accepted industry practice in the UK, the Group considered that such tax credit falls under IAS 12

"Income Taxes" and not under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

2.15 - Receivables

Receivables are measured at their nominal value.

Research tax credits, included in other receivables, are recognized in assets in the year in which the eligible expenses giving rise to the tax credit are incurred.

A provision for impairment losses on receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate, and is recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

2.16 – Equity

Classification as shareholders' equity depends on the specific analysis of the characteristics of each instrument issued. Ordinary shares, preferred shares and non-voting shares are classified as equity instruments.

Costs directly attributable to the issue of shares in a capital increase are recognized, net of tax, as a deduction from shareholders' equity.

2.17 – Share-based payments

Since its formation, the Group has set up several compensation plans settled in equity instruments in the form of stock options allocated to employees, Board members and consultants.

In accordance with IFRS 2, the cost of transactions settled in equity instruments is recognized under expenses in the period in which the rights to benefit from the equity instruments are acquired, as a counterpart to a capital increase. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock options granted. As of each reporting date, the Group revises its estimates for the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to shareholders' equity.

The fair value of the stock options granted to employees is measured via the Black-Scholes option valuation model.

All assumptions used in measuring the value of such plans are disclosed in Note 19.

2.18 – Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 – Income tax

Current income tax assets and liabilities are amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as of the reporting date.

The main temporary differences relate to losses carried forward.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be used.

The carrying amount of deferred tax assets is reviewed as of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed as of each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2.20 – Information by segment

Cellnovo's activities currently revolve around the design, manufacture and distribution of insulin pumps for treating type 1 diabetes. As a result, Cellnovo has only one operating segment. Internal reporting is therefore developed around a single business sector.

2.21 – Financial income and expenses

Financial income and expenses include:

- Expenses related to the financing of the Group: interest expense.
- Interest income received on short-term deposits.

2.22 – Other comprehensive income

Income and expense items (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRSs are presented in other comprehensive income or loss.

2.23 – Earnings per share

Basic earnings or loss per share are calculated by dividing the profit or loss attributable to shareholders of Cellnovo by the weighted average number of the ordinary shares outstanding during the financial year.

Diluted earnings or loss per share are calculated by adjusting the profit or loss attributable to the holders of ordinary shares and the weighted average number of the ordinary shares outstanding by the effects of all the potentially dilutive ordinary shares.

If, when calculating diluted earnings or loss per share, the fact of taking into account instruments giving deferred access to capital (stock options) creates an anti-dilutive effect, those instruments are not taken into account.

2.24 - Pensions

The Group's French employees are entitled to pension benefits specified by French law:

- a lump-sum pension payment made by Cellnovo France SAS upon retirement (defined benefit scheme);
- pension payments by Social Security bodies, which are funded by Company and employee contributions (defined contribution scheme).

Pension plans, similar compensation, and other employee benefits that qualify as defined benefit schemes are recognized on the statement of financial position based on an actuarial valuation of the obligations at period-end, minus the fair value of the scheme assets.

This valuation uses the projected unit credit method, taking into account staff turnover and mortality probability. Any actuarial gains and losses are recognized as items of other comprehensive income.

The Group's payments into UK and French defined contribution schemes are recognized under expenses on the income statement for the period to which they relate.

Note 3: Use of judgments and estimates

To prepare the financial statements in accordance with IFRS, the Group has made judgments, estimates and assumptions that could affect the amounts presented under assets and liabilities as of the reporting date, and the amounts presented under income and expenses for the period.

Such estimates are made by management based on the assumption of business continuity (going concern) and on the information available at the time. These estimates are ongoing and are based on past experience as well as diverse other factors judged to be reasonable and form the basis for the assessments of the carrying amount of assets and liabilities. The estimates may be revised if the circumstances on which they are based change or as a result of new information. Actual results may differ significantly from such estimates if assumptions or conditions change.

The key significant estimates or judgments made by the Group relate to the following in particular:

Fair value of convertible loan (converted into shares in 2015)

As of December 31, 2014, the convertible loan included a holder's conversion option and an automatic conversion feature. Together these were considered to be a single compound embedded derivative.

Based upon how the holder's conversion option is priced and the likelihood of the trigger events occurring in the Company for automatic conversion, management has concluded that the compound embedded derivative has been assigned no value as of December 31, 2014.

Capitalization of development expenditures

The Group devotes significant efforts to research and development. In this context, the Group must make judgments and interpretations for the determination of development expenditures to be capitalized when all six criteria defined by IAS 38 are met.

Accounting principles and capitalized costs are presented in Note 2.7. The key estimate determines whether all six criteria have been met as defined by IAS 38. There are clearly defined projects and therefore, by December 31, 2015, some development expenditures had been capitalized because all six criteria were considered to have been met as defined by IAS 38. Capitalized development expenditures include labor directly attributable to these projects and an incremental portion of general and administrative expenditures.

Impairment of non-financial assets – intangible license agreement

The Group assesses whether there are any indicators of impairment for all non-financial assets, namely the intangible license agreement and capitalized development expenditures, as of the end of each reporting period. A non-financial asset is tested for impairment when there is an indication that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. No indications of impairment were present in 2014 or 2015 and hence no impairment tests were undertaken.

Inventory valuation

Inventories comprise individual components and other raw materials purchased from third parties to be used in the manufacture of products. Inventories are valued at the lower of cost or market (net realizable value), determined under the first-in, first-out method.

The key estimate determines potential impairment based on quantities on hand, expectations of future use, judgments based on quality control testing data and assessments of the likelihood of scrapping or outdated inventories. Management believes that the value of inventories as of year-end is recoverable based on future sales forecasts.

Grant of stock options and non-voting shares to employees, executives and external service providers:

The fair-value measurement of share-based payments is based on the Black-Scholes option valuation model which makes assumptions about complex and subjective variables. These variables notably include the value of the Group's shares, the expected volatility of the share price over the lifetime of the instrument, and the present and future behavior of the holders of those instruments. There is a high inherent risk of subjectivity when using an option valuation model to measure the fair value of share-based payments in accordance with IFRS 2.

The valuation assumptions adopted are disclosed in Note 19, the key estimate in the valuation being the share price on the date of the grant which is based on an internal valuation as of that date.

Non-recognition of deferred tax assets net of deferred tax liabilities:

The measurement of identifiable deferred tax assets requires management to make estimates about the time period over which the tax losses will be utilized, and about the level of future taxable income, based on the tax strategies adopted.

The accounting principles applied by the Group for the recognition of deferred tax assets are set out in Note 2.19.

Note 4. Comparative information for 2014 and reorganization of capital

The comparative information of the consolidated financial statements for the year ended December 31, 2014 (statement of financial position and income statement) corresponds to the pro forma information that was prepared in accordance with IFRS as part of the Company's stock market listing on the Euronext regulated market in Paris. This pro forma information was included in the listing prospectus.

Background

The Company was formed on December 15, 2014.

The Company's Extraordinary General Meeting of February 13, 2015 approved the following transactions (further detailed in Note 12):

a) Non-cash contributions to the Company of all the shares of the subsidiary in the UK, by the shareholders of Cellnovo Ltd., with the condition precedent of the AMF approving the prospectus for listing the Company's shares for trading on the Euronext regulated market in Paris; and

b) The capital increase as consideration for those contributions.

Pro forma information was therefore prepared as of December 31, 2014 in order to show the effect of these transactions as though they had been carried out:

- on January 1, 2014 for the pro forma income statement for the financial year ended December 31, 2014; and
- on December 31, 2014 for the pro forma statement of financial position as of December 31, 2014.

Reorganization of capital

Although contribution in kind and capital increase transactions have the same characteristics as a reverse acquisition (with the former shareholders of the legal acquiree obtaining control of the legal acquirer), they cannot be treated as such, because the acquiree from an accounting point of view (in this case, the Company) does not constitute a business. Therefore, these transactions were excluded from the scope of IFRS 3 (B19) and constituted a reorganization of capital.

For this reason, in accordance with IFRS principles, the financial statement items of Cellnovo Ltd. and its subsidiaries were consolidated into those of the Company at their carrying amount as of the acquisition date, for the full year 2015 and the comparative year (i.e. 2014), as if the transactions had occurred at the beginning of the period (i.e. in 2014).

Note 5. Financial risk management

Cellnovo Ltd. may find itself exposed to various types of financial risk: market risk, liquidity risk, credit risk and foreign exchange risk. The Group implemented simple measures proportionate to its size to minimize the potentially adverse effects of those risks on its financial performance.

It is Cellnovo’s policy not to use financial instruments for speculative purposes.

Interest rate risk

Interest rate risk reflects the Group’s exposure to fluctuations in interest rates in the market. The Group has no floating-rate debt, so is not at risk of increases in debt servicing costs. Changes in interest rates could affect returns achieved on cash and fixed-term accounts but this risk is not considered material given the cash balances generally held by the Group and current interest rates.

Liquidity risk

Since its formation, the Group has funded its growth largely through issues of equity to shareholders, with additional funds provided by research collaborations and research tax credits. In 2015, Cellnovo took out a loan. As the loan agreement does not provide for an acceleration clause, Cellnovo is not exposed to a liquidity risk generated by the application of such a clause.

Significant R&D expenses have been incurred from the beginning of the Group's activities, resulting in net cash outflows from operating activities since then.

Net cash used in operating activities amounted to €11 243 722 and €5 719 727 for the financial years ended December 31, 2015 and 2014, respectively.

As of December 31, 2015, the Group’s current financial assets (fixed-term accounts), cash and cash equivalents amounted to €26 452 558. Cellnovo has sufficient funds to cover its cash consumption for at least the next twelve months.

The Group will continue to have major financing needs in the future as it pursues research and development of current and new potential products. The precise extent of financing required is difficult to predict accurately, and will depend in part on factors outside the Group’s control. Areas subject to significant uncertainty include but are not limited to:

- costs and time required for R&D programs to yield products that are ready to be marketed or licensed to provide revenues;
- costs and time needed to obtain regulatory authorizations and marketing approvals and access to reimbursement schemes;
- the extent of cost sharing with and revenues derived from any partner companies;
- costs of preparing, filing, defending and maintaining patents and other intellectual property rights;
- costs associated with the manufacture of products;
- costs associated with the expansion of the Group’s capacities and product pipeline.

Should the Group find itself unable to finance its own growth, it would be compelled to find other sources of financing, in particular through further capital increases.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Foreign exchange risk

A portion of the Group's revenue is generated in currencies other than the euro. Due to the Group's geographic location, the same applies to its expenses, a significant proportion of which are denominated in foreign currencies, in particular the pound sterling. As of December 31, 2015, 99% of Cellnovo's cash and other short-term financial assets were denominated in euros.

At this time, Cellnovo's policy is not to use foreign currency hedging instruments and it is therefore exposed to fluctuations in the euro/pound exchange rate.

Note 6. Testing for impairment

Cellnovo has a single cash generating unit (CGU). As of December 31, 2015, there was no indication of impairment of intangible assets or property, plant and equipment items.

Note 7. Intangible assets

In euros	Licenses	Development expenditures	Software	Total
GROSS AMOUNT OF INTANGIBLE ASSETS				
Statement of financial position as of January 1, 2014	**674,105**	**-**	**-**	**674,105**
Additions	978	1,577,750	-	1,578,728
Foreign currency translation differences	47,462	55,738	-	103,200
Statement of financial position as of December 31, 2014	**722,545**	**1,633,488**	**-**	**2,356,033**
Additions	-	3,522,302	11,257	3,533,559
Transfers (*)	15	-	120,816	120,831
Foreign currency translation differences	44,252	61,098	(1,460)	103,891
Statement of financial position as of December 31, 2015	**766,812**	**5,216,888**	**130,614**	**6,114,314**
AMORTIZATION				
Statement of financial position as of January 1, 2014	**(121,147)**	**-**	**-**	**(121,147)**
Amortization expense	(104,466)	(95,029)	-	(199,495)
Foreign currency translation differences	(12,214)	(3,357)	-	(15,571)
Statement of financial position as of December 31, 2014	**(237,826)**	**(98,386)**	**-**	**(336,212)**
Amortization expense	(77,538)	(658,997)	(2,830)	(739,365)
Transfers (*)	(15)	-	(93,415)	(93,430)
Foreign currency translation differences	(13,709)	1,260	1,064	(11,384)
Statement of financial position as of December 31, 2015	**(329,088)**	**(756,123)**	**(95,180)**	**(1,180,391)**
As of January 1, 2014	**552,958**	**-**	**-**	**552,958**
As of December 31, 2014	**484,719**	**1,535,102**	**-**	**2,019,820**
As of December 31, 2015	**437,724**	**4,460,765**	**35,434**	**4,933,923**

(*) Transfers from property, plant and equipment

Capitalization of development expenditures

The period up to and including 2013 saw a focus on research and testing of the technical feasibility of the Group's main development product. This established commercial viability culminated in the launch of the second generation of products during 2014. From this point, the criteria to capitalize development expenditures are considered to have been met, and subsequent expenditures incurred on discrete development projects have been capitalized.

The amortization of capitalized development expenditures is charged to the income statement, within research and development expenses. Amortization is linked to the useful life of the development, which does not exceed five years.

Note 8. Property, plant and equipment

In euros	Machinery and equipment	Fixtures and fittings	Office and computer equipment, and furniture	Assets in progress	Total
GROSS AMOUNT OF PROPERTY, PLANT AND EQUIPMENT					
Statement of financial position as of January 1, 2014	**2,085,980**	**316,811**	**-**	**-**	**2,402,790**
Additions	108,992	31,210	1,839	-	142,041
Disposals	(936,761)	(37,257)	-	-	(974,018)
Transfers	-	-	-	-	-
Foreign currency translation differences	117,517	22,069	65	-	139,651
Statement of financial position as of December 31, 2014	**1,375,727**	**332,833**	**1,904**	**-**	**1,710,464**
Additions	110,181	60,189	3,978	1,164,918	1,339,266
Disposals	(463,195)	(103,430)	-	-	(566,624)
Transfers (*)	(1)	(120,815)	-	-	(120,816)
Foreign currency translation differences	88,218	22,198	(0)	(12,880)	97,536
Statement of financial position as of December 31, 2015	**1,110,930**	**190,974**	**5,882**	**1,152,039**	**2,459,825**
DEPRECIATION					
Statement of financial position as of January 1, 2014	**(1,399,031)**	**(217,091)**	**-**	**-**	**(1,616,122)**
Depreciation expense	(342,154)	(60,795)	(286)	-	(403,235)
Reversals	889,605	36,973	-	-	926,578
Foreign currency translation differences	(79,090)	(16,113)	(10)	-	(95,213)
Statement of financial position as of December 31, 2014	**(930,672)**	**(257,025)**	**(296)**	**-**	**(1,187,993)**
Depreciation expense	(239,656)	(49,407)	(900)	-	(289,962)
Reversals	373,973	102,512	-	-	476,485
Transfers (*)	(3)	93,417	1	-	93,415
Foreign currency translation differences	(58,496)	(17,361)	0	-	(75,857)
Statement of financial position as of December 31, 2015	**(854,854)**	**(127,863)**	**(1,195)**	**-**	**(983,912)**
NET AMOUNT					
As of December 31, 2014	**445,055**	**75,808**	**1,608**	**-**	**522,471**
As of December 31, 2015	**256,077**	**63,111**	**4,687**	**1,152,039**	**1,475,913**

(*) Transfers to intangible assets

In 2015, the Group recorded depreciation expense as follows: € 26 661 (2014: €264 888) for research and development expenditure, €2 594 (2014: €19 938) for general and administrative expenditure, €7 032 (2014: €10 286) for sales and marketing expenditure, and € 253 676 (2014: €108 123) for manufacturing costs.

Note 9. Inventories of finished goods and work in progress

In euros	Dec. 31, 2015	Dec. 31, 2014
Raw materials	1,098,815	737,479
Work in progress	216,636	0
Finished goods	57,225	15,860
Provision for impairment losses	(365,355)	(32,738)
Total inventories	**1,007,321**	**720,600**

Note 10. Trade receivables and other current assets

Trade receivables

The Group launched the commercialization of its products in the second half of 2014. As of December 31, 2015, trade receivables amounted to €493 578. No provision for impairment losses was recognized as of year-end.

Other receivables

Other receivables break down as follows:

In euros	Dec. 31, 2015	Dec. 31, 2014
Research tax credit (1)	968,010	856,627
Value added tax (2)	569,246	111,942
Prepaid expenses (3)	181,551	132,472
IPO costs	-	722,140
Other	212,724	22,549
Total other receivables	**1,931,532**	**1,845,731**

(1) Research tax credit

In the UK, research and development tax credits are granted to UK companies as an incentive for technical and scientific research. Companies with expenses that meet the eligibility criteria receive a tax credit that can be used to pay the corporate income tax due in the year in which it is granted as well as in the following two financial years or, as the case may be, any tax losses can be surrendered to HMRC for a cash payment.

The research and development tax credit is presented in the income statement within income tax expenses.

In the absence of taxable income, the receivable relating to tax credit is reimbursed in the year following the year for which it is granted:

- The 2012 repayment was received in November 2014 of €520 216;
- The 2013 repayment was received in June 2015 of €482 562;

- The 2014 repayment was received in December 2015 of €585 908; and
- The 2015 tax computation will be filed once the accounts have been signed off, so a repayment should follow within four to six weeks of submission to HMRC. It is therefore expected to be received in 2016.

(2) ***VAT receivables*** relate mainly to deductible VAT and the reimbursement of VAT paid.

(3) ***Prepaid expenses*** relate to expenses incurred for insurance and rental.

Note 11. Other current financial assets

Other current financial assets consist of fixed-term accounts. The availability of the funds deposited in these accounts is subject to 32 days notice.

Note 12. Share capital

12.1 Changes in share capital

The following table shows the changes in Cellnovo Group SA's share capital and share premium:

	Share capital	Share premium	Number of shares	Par value
	In euros	*In euros*		*In euros*
As of January 1, 2014				
Formation of the Company (a)	37,000		3,700	10
As of December 31, 2014	**37,000**	**0**	**3,700**	**10**

	Share capital	Share premium	Number of shares	Par value
	In euros	*In euros*		*In euros*
As of January 1, 2015	**37,000**		**3,700**	**10**
Reduction of the par value of shares (b)			33,300	1
Contribution of Cellnovo Ltd. shares (c)	6,019,361	41,913,355	6,019,361	1
Capital increase through the issuance of shares (d)	2,969,557	28,596,833	2,969,557	1
Conversion of convertible bonds (e)	1,657,955	15,966,107	1,657,955	1
Capital increase through the issuance of shares (overallotment) (f)	80,000	770,401	80,000	1
Exercise of options by employees (g)	24,655	(24,621)	24,655	1
Capital increase costs (h)		(3,892,531)		1
As of December 31, 2015	**10,788,528**	**83,329,544**	**10,788,528**	**1**

The figures presented only concern the consolidating entity. In the above table of changes in shareholders' equity, the share issue movements in 2015 are described on lines (d), (e), (f), (g) and (h).

Changes in capital for 2015

a) When the Company was formed, it received contributions in the amount of €37 000, corresponding to 3 700 fully paid-up ordinary shares with a par value of €10 each.

b) By decision dated February 13, 2015, the Combined General Meeting of Shareholders approved a 10-for-1 split of the par value of the Company's shares. Following this decision, the capital was thus reduced to €37 000 divided into 37 000 shares with a par value of €1 each.

c) By decision dated February 13, 2015, the Combined General Meeting of Shareholders approved the contributions of all of Cellnovo Ltd.'s shares to the Company. These contributions -

valued at €47 932 716,41 - represented a capital increase with a par value of €6 019 361, resulting from the issue of 6 019 361 shares with a par value of €1 each and a price of €7,9631 each (including the share premium) to the contributors, as consideration for their respective contributions. The corresponding share premium amounted to €41 913 355. The realization of the condition precedent to these contributions (obtaining the AMF's approval of the prospectus) was duly noted by the Board of Directors at its meeting of June 29, 2015.

At its meeting of June 25, 2015, the Board of Directors decided:

(I) to issue bonds, automatically convertible into new shares of the Company on the date of its IPO, reserved with a par value of €1 each for a total par value equivalent in euros to £10 110 784 plus accrued interest up to the date of obtaining the AMF's approval of the prospectus, based on the £/€ exchange rate described in the Novation Agreement, or €14 079 266,72;

(ii) to issue 3 000 000 bonds, automatically convertible into new shares of the Company on the date of its IPO, reserved with a par value of €1 each.

The General Meeting of June 22, 2015 delegated its authority to the Board of Directors to increase the Company's capital, on one or more occasions, by issuing shares and/or securities giving access to its capital, and/or to issue securities giving immediate or future access to the Company's capital, without preemptive subscription rights, through a public offering. Under the 2nd decision taken at its meeting of July 9, 2015, the Board of Directors used the authorization thus granted by the General Meeting and resolved:

(i) to increase the Company's capital, without preemptive subscription rights, for the purpose of serving the orders issued as part of the offering, by a par value of €2 969 557, through the issuance of 2 969 557 new shares with a par value of €1 each;

(ii) to set the final price of the offering at €10,63 per share, said price being applicable to new shares issued as part of both the Open-Price Offering and the Global Placement (therefore corresponding, for each new share issued, to a par value of €1 and a share premium of €9,63);

(iii) that the gross proceeds of the capital increase (including the issue premium) will amount accordingly to €31 566 390 euros (including share premium of €28 596 833);

After completing these transactions, the following capital increases were recorded:

d) €2 969 557 corresponding to the issuance of 2 969 557 new shares with a par value of €1 each. The corresponding share premium amounted to €28 596 833.

e) €1 657 955 corresponding to the issuance of 1 657 955 new shares with a par value of €1 each, following the conversion of the same number of bonds. The corresponding share premium amounted to €15 966 107.

d) Following the subscription to the overallotment option, €80 000 corresponding to the issuance of 80 000 new shares with a par value of €1 each. The corresponding share premium amounted to €770 401.

g) In addition, following the exercise of stock options by employees in 2015, Cellnovo issued 24 655 new shares with a par value of €1 each and a corresponding share premium of -€24 621.

h) The marginal transaction costs of the IPO (capital increase) were deducted from the share premium.

12.2 Voting rights

There are no shares with double voting rights, even if a shareholder has held their shares in registered form for over two years.

There are no ordinary shares with preferred voting rights or any restrictions.

12.3 Liquidity contract

A liquidity contract was signed with CM-CIC in March 2015. It authorizes CM-CIC to trade in the stock market on Cellnovo's behalf in order to improve transaction liquidity and share price stability, on an arm's length basis and without hindering the proper functioning of the market or misleading other market participants.

An initial payment was made for €300 000. The balance is shown in the statement of consolidated financial position under other current financial assets.

Note 13. Non-current financial loans and borrowings

In June 2015, Cellnovo Ltd. signed a three-year loan agreement with Kreos Capital for an amount of €4 000 000, including two tranches of €3 000 000 and €1 000 000, respectively. Cellnovo Ltd. took out the first tranche of €3 000 000 at an effective interest rate of 15,85% per year, with principal repayments starting in January 2016. Cellnovo Group SA issued 50 279 warrants for Kreos Capital. The exercise of these warrants gives Kreos Capital the right to purchase 50 279 Cellnovo Group SA shares at a price of €8,95. The issuance of these warrants generated a derivative financial instrument in the amount of €53 482 which was presented as a separate item from the loan amount, under shareholders' equity. These warrants (*bons de souscription d'actions - BSA*s) are fully exercisable from their date of issue and for a period of five years following the date of the IPO.

All convertible bonds previously issued by the Group were converted during the 2015 financial year and therefore they were not included in debt as of the reporting date.

Financial debt breaks down as follows:

In euros	Convertible loan	Bank loan	Total
Non-current financial loans and borrowings			
Statement of financial position as of January 1, 2014	**6,028,830**	**-**	**6,028,830**
New debt	2,888,689	-	2,888,689
Net gain on extinguishment	(1,449,692)	-	(1,449,692)
Capitalized interest	1,643,013	-	1,643,013
Foreign currency translation differences	397,762	-	397,762
Statement of financial position as of December 31, 2014	**9,508,602**	**-**	**9,508,602**
New debt	4,188,702	2,811,571	7,000,273
Converted into share capital	(14,446,540)	-	(14,446,540)
Capitalized interest	51,659	-	51,659
Foreign currency translation differences	697,577	(33,477)	664,100
Statement of financial position as of December 31, 2015	**(0)**	**2,778,094**	**2,778,094**

Note 14. Employee benefit obligations

UK employees

UK employees are under a pension scheme paid by the employer. Employees and the employer contribute 1% of the pensionable earnings. This pension scheme meets minimum standards set by the government. It is a defined contribution plan.

In 2015, pension costs amounted to €18 722. They were €8 388 in 2014.

French employees

Defined-benefit obligations for French employees (8 employees as of December 31, 2015, versus 3 employees as of December 31, 2014) consist of the provisions for pension, measured in accordance with the applicable collective bargaining agreement of the pharmaceutical industry. The provisions were calculated for the first time in 2014. As of December 31, 2015, they amounted to €5 990.

As the amount was immaterial, no sensitivity test was performed.

French employees are also under a pension scheme paid by the employer. Employees and the employer contribute a variable percentage of the pensionable earnings. This pension scheme meets minimum standards set by the government. It is a defined contribution plan. In 2015, pension costs amounted to €53 588.

US employees

No pension costs were incurred by the Group during 2015.

Note 15. Trade and other payables

15.1 – Trade payables

Trade payables are non-interest bearing and are normally settled on a 30-day term.

15.2 – Other payables

Other payables comprise individual personnel-related liabilities and other liabilities with details as follows:

In euros	Dec. 31, 2015	Dec. 31, 2014
Personnel	502,768	228,490
Social security and other social bodies	521,712	362,557
Other liabilities	2,158	-
Total personnel-related liabilities and other liabilities	**1,026,638**	**591,047**

Note 16. Financial assets and financial liabilities

In euros	Dec. 31, 2015		Value under IAS 39			Non-financial instruments
	Statement of financial position	Fair value	Fair value through profit or loss	Loans and receivables	Debts at amortized cost	
Non-current financial assets	50,534	50,534	-	50,534	-	-
Trade receivables	493,578	493,578	-	493,578	-	-
Other receivables	1,931,532	1,931,532	-	1,931,532	-	-
Other current financial assets	20,219,721	-	-	20,219,721	-	-
Cash and cash equivalents	6,232,837	6,232,837	-	6,232,837	-	-
Total assets	**28,928,202**	**8,708,481**	**-**	**28,928,202**	**-**	**-**
Non-current financial loans and borrowings	2,778,094	2,778,094	-	-	2,778,094	-
Trade payables	2,025,548	2,025,548	-	-	2,025,548	-
Personnel-related liabilities and other liabilities	1,026,638	1,026,638	-	-	1,026,638	-
Total liabilities	**5,830,279**	**5,830,279**	**-**	**-**	**5,830,279**	**-**

In euros	Dec. 31, 2014 (Pro forma)		Value under IAS 39			Non-financial instruments
	Statement of financial position	Fair value	Fair value through profit or loss	Loans and receivables	Debts at amortized cost	
Non-current financial assets	5,250	5,250	-	5,250	-	-
Trade receivables	101,305	101,305	-	101,305	-	-
Other receivables	1,845,731	1,845,731	-	1,845,731	-	-
Cash and cash equivalents	3,480,891	3,480,891	-	3,480,891	-	-
Total assets	**5,433,177**	**5,433,177**	**-**	**5,433,177**	**-**	**-**
Non-current financial loans and borrowings	9,508,602	9,508,602	-	-	9,508,602	-
Trade payables	1,578,099	1,578,099	-	-	1,578,099	-
Personnel-related liabilities and other liabilities	591,047	591,047	-	-	591,047	-
Total liabilities	**11,677,748**	**11,677,748**	**-**	**-**	**11,677,748**	**-**

Note 17. Workforce, personnel expenditure

Cellnovo Ltd.'s average monthly employee numbers were as follows:

EMPLOYEES	Dec. 31, 2015	Dec. 31, 2014
Management / Admin	7	5
Manufacturing	49	35
Sales and marketing	9	8
R&D	10	12
Total	**75**	**60**

As of December 31, 2015, the average number of Cellnovo Group SA employees was four (two as of December 31, 2014). As of December 31, 2015, Cellnovo USA had only one employee.

2015 personnel expenditures by nature break down as follows:

In euros	Dec. 31, 2015	Dec. 31, 2014
Salaries and wages	(5,885,557)	(3,455,183)
Social security contributions	(823,368)	(398,266)
Share-based payments	(1,940,002)	(55)
Of which, capitalized personnel expenditures	444,894	865,198
Total personnel expenses	**(8,204,033)**	**(2,988,306)**

The above expenditures include €444 894 capitalized as development expenditures for 2015 (€ 865 198 for 2014).

Share-based compensation corresponds to the value of the stock option plans granted to Company employees. They do not generate cash outflows for the Company.

For 2015, personnel expenditures by type break down as follows:

In euros	Personnel expenses	Depreciation	Amortization	Other	Total
Manufacturing costs	(2,724,170)	(253,676)	(77,538)	(2,789,257)	(5,844,640)
Research and development expenses	(1,853,327)	(26,661)	(658,997)	(704,943)	(3,243,929)
Sales and marketing expenses	(1,008,851)	(7,032)	-	(540,840)	(1,556,723)
General and administrative expenses	(2,617,685)	(2,594)	(2,830)	(2,512,267)	(5,135,376)
Total	**(8,204,033)**	**(289,963)**	**(739,365)**	**(6,547,307)**	**(15,780,668)**

In 2014, the breakdown was as follows:

In euros	Personnel expenses	Depreciation	Amortization	Other	Total
Manufacturing costs	(833,599)	(108,123)	(58,285)	(563,023)	(1,563,030)
Research and development expenses	(744,903)	(264,888)	(95,027)	(633,573)	(1,738,391)
Sales and marketing expenses	(797,426)	(10,286)	-	(678,657)	(1,486,369)
General and administrative expenses	(612,378)	(19,938)	(46,183)	(1,550,573)	(2,229,072)
Total	**(2,988,306)**	**(403,235)**	**(199,495)**	**(3,425,826)**	**(7,016,862)**

The compensation of Directors was as follows:

Compensation of Directors	Dec. 31, 2015	Dec. 31, 2014 (Pro forma)
Compensation	**1,277,691**	**257,435**

The sharp increase in this item is attributable to the recruitment of a Chief Executive Officer and a Research Director, and the inclusion of share-based compensation in the amount of €577 thousand.

Note 18. Revenue

Revenues from sales of the Cellnovo product are detailed by country as follows:

In euros	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
UK	74,686	100,519
France	533,821	24,211
USA	-	-
Total revenues	**608,508**	**124,730**

Note 19. Share-based compensation

Cellnovo grants stock options to its employees. In accordance with these plans, stock option holders may subscribe to a Cellnovo share issue at a specified exercise price.

The following table summarizes all of the Group's stock option plans and their impact on the consolidated income statement for 2015. Related 2014 expenses were immaterial.

In euros	Stock option plans for 2013 and previous years	Stock option plan for Jan. 2015	Stock option plan for Dec. 2015	Total
Number of options initially granted	511,711	254,731	251,000	1,017,442
Number of options exercised/lapsed	503,160	79,406	-	582,566
Number of options outstanding as of Dec. 31, 2015	8,551	175,325	251,000	434,876
Share-based compensation for 2015	-	1,780,577	159,424	1,940,002

The stock options for the plans granted in January and December 2015 vest as follows:

- 1/3 at the end of the employee's first year with the Company; and
- for the remaining 2/3, 1/24 at the end of each month following the anniversary of the first year for two consecutive years.

Valuation of Cellnovo Ltd.'s stock option plan of January 2015 (transferred to the Company in 2015)

A stock option plan totaling 8 915 572 options was granted by Cellnovo Ltd. on January 8, 2015. This plan was transferred to the Company at the time of the IPO (the total number of stock options corresponds to 254 731 Company shares after conversion - one Cellnovo Group SA share to 35 Cellnovo Ltd. shares). Based on estimates of the value of the Company/the Group available as of that date and taking into account the low exercise price, the value of an option was estimated to be equal to the value of the underlying share, i.e. £0,263 per share. After the conversion into Company shares using an exchange rate of £0,7789 for €1, the individual value of these options was €11,82 at grant date.

Valuation of the Company's stock option plan of December 2015

The fair value of the options was measured using the Black-Scholes valuation method. The following assumptions were used:

- The share price at grant date used is calculated by reference to internal valuations;
- The risk-free rate is based on the average lifetime of the instruments;
- Volatility is calculated with reference to a sample of listed companies in the biotechnology sector, as of the date the instruments are granted and over a period equivalent to the lifetime of the option.

The main features of the options granted as part of the December 2015 plan are described in the table below:

Grant date	**December 3, 2015**
Vesting period	gradual vesting
Plan's expiration date	December 3, 2025
Number of options granted	251 000
Number of shares exercisable by option	1
Exercise price in €	6,51
Fair value of option at grant date in €	1,99
Expected volatility	44%

Note 20. Financial income and expenses

In euros	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
Interest expense related to convertible loan	(1,059,096)	(1,643,013)
Financial income	90,319	13,672
Gain on extinguishment of convertible loan	-	1,449,692
Net financial expense	**(968,777)**	**(179,649)**

Financial income comprises mainly interest received on short-term investments.
Interest expense is related to the convertible loan agreement described in Note 13.

Note 21. Income tax

Income tax rates and losses carried forward

Cellnovo Ltd. had tax loss carryforwards of €60 144 944 as of December 31, 2015 (2014: €48 866 671).

The Company had a tax loss carryforward of €6 050 644 as of December 31, 2015 (2014: €416 636 with respect to Cellnovo France SAS).

The Company’s US subsidiary, Cellnovo Inc. had a tax loss carryforward of €181 thousand as of December 31, 2015.

The income tax rate applicable to the Group is the currently applicable rate in France, which is 34,43%.

The tax benefit breaks down as follows:

In euros	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
Current tax:		
. UK corporation tax credit	965,467	388,693
. Adjustments in respects of prior years	160,608	-
Total income tax benefit	**1,126,075**	**388,693**

The tax reconciliation is as follows:

In euros	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
(Loss) before income tax	(15,590,321)	(7,066,313)
Tax rate in France	34.43%	34.43%
Theoretical French tax benefit	5,367,748	2,432,932
Effect of tax rate	(1,513,628)	(912,655)
Expenses not deductible for tax purposes	(20,419)	(1,179)
Capital allowances for the year in excess of depreciation	-	(88,909)
Non-taxable IFRS 2 expenses	(667,943)	-
Supplementary deduction of R&D expenses	759,201	-
Adjustment of income tax expense for prior years	160,608	-
Effective R&D tax credit	-	388,693
Reduction of UK losses due to early refund of the R&D tax credit	(382,857)	-
Non-recognition of deferred taxes for the year	(2,576,635)	(1,430,188)
Income tax benefit	**1,126,075**	**388,693**

Deferred taxes

Deferred tax assets are not recognized at year end on tax losses. Tax losses are available to carry forward against future profits.

Note 22. Earnings per share

Basic earnings

In euros	12 months ended Dec. 31, 2015	12 months ended Dec. 31, 2014
Weighted average number of outstanding shares	5,895,533	199,907,493
Loss for the year	(14,464,246)	(6,677,620)
Basic loss per share (€/share)	(2.453)	(0.033)
Diluted loss per share (€/share)	(2.453)	(0.033)

Basic earnings or loss per share are calculated by dividing the profit or loss attributable to shareholders of Cellnovo by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings or loss per share are calculated by adjusting basic earnings or loss per share for the dilutive effect of instruments giving deferred rights to share capital (warrants, bonds, options). When the Group is loss-making, these instruments are not treated as dilutive since they would reduce the loss per share. For the periods reported, diluted loss per share is therefore identical to basic loss per share.

Note 23. Related parties

The Group has identified as related parties members of the Board of Directors, including its Chairman, and certain members of the Group's management team who have been given authority to act as legal or financial signatories for the Group (hereinafter referred to as "the Board and Signatories").

Eric Beard, Chairman and Chief Executive Officer of Cellnovo Ltd.

During the year ended December 31, 2014, a loan totaling €459 786 (£358 127) was received from Eric Beard.

The loan was subject to interest accruing daily at 4% and subject to a premium of 20% of the principal should a conversion to equity not occur. This loan was fully paid out as of December 31, 2015.

23.1 – Executive compensation

No post-employment benefits were granted to the Board and Signatories.
Aggregate compensation of the Board and Signatories was as follows (in €):

Compensation of the Board and Signatories		Dec. 31, 2015		Dec. 31, 2014 (Pro forma)
Fixed and variable compensation		533,066		173,290
Stock options		715,308		-
Consultancy fees		29,317		84,145
Total		**1,277,691**		**257,435**

There was no compensation for loss of office in the year.

Note 24. Off-balance sheet commitments

Leases on premises

As part of its activity, Cellnovo has signed leases for premises in Paris and in the UK (Pencoed and Swansea).

The rent commitments up to the next potential rent breaks were as follows:

In euros	Less than 1 year	1 to 5 years	More than 5 years
Commitments as of Dec. 31, 2015	145 101	228 075	-
Commitments as of Dec. 31, 2014	86 968	82 616	-

Cellnovo had no other significant off-balance sheet commitments outside those related to the above leases.

Note 25. Auditors' compensation

In 2015 and 2014, the Company and its subsidiaries obtained the following services from their auditors:

In euros	PwC				Grant Thornton			
	2015	%	2014	%	2015	%	2014	%
Statutory audits, certifications, examination of individual and consolidated financial statements								
- Cellnovo Group SA	25,000	9%	5,000	4%	25,000	100%	0	N/A
- Fully-consolidated subsidiaries	30,000	10%	24,802	19%	0	0%	0	N/A
Total	**55,000**	**19%**	**29,802**	**23%**	**25,000**	**100%**	**0**	**N/A**
Other audit-related procedures and services								
- Cellnovo Group SA	52,239	18%	0	0%	0	0%	0	N/A
- Fully-consolidated subsidiaries	182,072	63%	99,526	77%	0	0%	0	N/A
Total	**234,311**	**81%**	**99,526**	**77%**	**0**	**0%**	**0**	**N/A**
Total fees	**289,311**	**100%**	**129,328**	**100%**	**25,000**	**100%**	**0**	**N/A**

The other audit-related procedures and services for 2015 and 2014 correspond to work carried out as part of the Company's stock market listing on the Euronext regulated market in Paris.

Note 26. Events after the reporting period

On February 5, 2016, Cellnovo announced a partnership with the technology company TypeZero to utilize Cellnovo's e-connected insulin patch pump alongside its inControl AP software in an artificial pancreas (AP) development program. This joint system will be trialed as part of the International Diabetes Closed Loop Trial (IDCL), which is funded by the National Institutes of Health (NIH), a part of the U.S. Department of Health and Human Services. The artificial pancreas is designed to monitor and automatically regulate the blood glucose levels of people with type 1 diabetes when insulin is administrated.

On February 25, 2016, Cellnovo announced that the first milestone for the industrialization of its insulin cartridges with Flex had been reached. This was in line with the manufacturing transfer plan -

announced one year earlier - which will bring about an increase in the production capacity of Cellnovo’s diabetes management system in the second half of 2016.

On March 15, 2016, it announced the signing of a commercial agreement with Roche to integrate their blood glucose monitoring (BGM) platforms into the Cellnovo diabetes management system. Cellnovo will incorporate the Accu-Chek® Aviva or Accu-Chek® Performa monitoring platforms into its newly developed, next generation e-connected handset which is CE-marked. The Roche BGM platform will replace the LifeScan OneTouch® Vita BGM currently used.

On April 11, 2016, Eric Beard, Chairman of the Board of Directors, announced he would resign as a director, for personal reasons. Sophie Baratte, Chief Executive Officer of Cellnovo, was appointed as Interim Chairman of the Board of Directors.

On April 13, 2016, Cellnovo announced that it had been selected to participate in a project funded by the European Commission’s Horizon 2020 program. This program is aimed at investigating new technologies to help improve the lives of people with type 1 diabetes. The project, named PEPPER (Patient Empowerment through Predictive Personalized decision support), has a budget of nearly €4 million and brings together leading UK and European universities and companies to research and develop technology that will help to improve the self-management of people with type 1 diabetes.