

Neuren Pharmaceuticals Limited

Appendix 4D Half-Year Financial Report

30 June 2006

Name of entity

Neuren Pharmaceuticals Limited

ARBN

111 496 130

Half-year ended

30 June 2006

1. Neuren Pharmaceuticals Limited ("Neuren" or the "Company") presents this financial report, including the interim financial statements, for the six months ended 30 June 2006.

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, NZ IAS 34 *Interim Financial Reporting*. These are the Company's first interim financial statements prepared in accordance with NZ IAS 34 Interim Financial Statements and accordingly NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied.

The financial statements of Neuren until 31 December 2005 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS) which differ in certain respects from NZ IFRS. When preparing the interim financial report for the six months ended 30 June 2006, certain accounting and valuation methods applied in the previous NZ FRS financial statements have been amended to comply with NZ IFRS.

All amounts shown are in NZ\$'000s unless otherwise stated.

2. Results for announcement to the market

	30 June 2006 NZ\$'000	30 June 2005 NZ\$'000	% Change
2.1 Operating revenue	1,092	1,195	-8.6%
2.2 Loss after tax from ordinary activities	(3,936)	(4,418)	-10.9%
2.3 Net loss from ordinary activities	(3,936)	(4,418)	-10.9%
2.4 Dividends and franked amount per security	nil	nil	n/a
2.5 Dividend record date	n/a	n/a	n/a
2.6 Explanation of results:	<p>During the period Neuren continued to make good progress in its preclinical and clinical programs. Research and development costs were higher than the 2005 comparative period, reflecting the fact that two clinical trials were underway in the six months to 30 June 2006. The net loss for the period was NZ\$3.9 million, and at 30 June 2006 net assets were NZ\$17.4 million with NZ\$9.1 million cash. These results were in line with the Company's expectations. Research and development costs have increased from \$3.3 million to \$4.1 million as a result of having two clinical trials underway in the period. As the Company holds its cash balances predominantly in the expected currency of future expenditure, a significant depreciation of the New Zealand dollar against most major currencies in the six months ended 30 June 2006 has resulted in the recognition of a \$1.2 million foreign exchange gain on cash balances. A more detailed discussion of the activities undertaken in the period is set out in the Chief Executive's Report contained in the attached Interim Report to shareholders.</p>		

+ See chapter 19 for defined terms.

3. Net Tangible Assets per Security

	<u>Current period</u>	<u>Comparative period</u>
Net tangible assets per share	NZ\$ 0.06	NZ\$ 0.09

4. Entities over which control has been gained or lost during the period:

None.

5. Details of dividends

Not applicable.

6. Details of dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

None.

8. Accounting standards

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9. Audit dispute or qualification

The interim financial statements have been subject to independent review by the Company's auditors. The unqualified review report is included in the attached Interim Report.

⁺ See chapter 19 for defined terms.