

Appendix 4E

Neuren Pharmaceuticals Limited ARBN 111 496 130

Preliminary final report Financial year ended 31 December 2006

The following information is given to the ASX under listing rule 4.3A:

1. Reporting Details

Neuren Pharmaceuticals Limited ARBN 111 496 130 (“Neuren” or the “Company”) presents the following information for the year ended 31 December 2006 together with comparative results for the year ended 31 December 2005.

All amounts shown are in New Zealand dollars unless otherwise stated.

2. Results for announcement to the market

	Reported 2006 NZ\$'000	Variance to 2005 NZ\$'000	% Change
2.1 Operating Revenue	2,052	(741)	(27%)
2.2 Loss after Tax	(11,346)	(1,976)	(21%)
2.3 Net Loss	(11,346)	(1,976)	(21%)
2.4 Dividends	N/A	N/A	N/A

Operating Revenue

As in 2005, contract revenue decreased as Neuren continued to focus more on clinical development. Grants related to the Glypromate® Phase 2 trial and manufacturing and scale-up of NNZ-2566 also completed during 2006 leading to a decrease in grant revenue from \$1,714,000 to \$1,295,000.

The level of interest income in 2006 was consistent with slightly lower average cash balances across the year compared with 2005. Neuren had \$10,609,000 in cash deposits as at 31 December 2006.

Loss after Income Tax and Net Loss

An increase in research and development costs in 2006 of \$1,573,000 over 2005 was entirely attributable to clinical development activities, with two clinical trials underway for Glypromate® and NNZ-2566 for much of the year, preparation of the Glypromate® Phase 3 IND and preparation of drug supply for the Glypromate® Phase 3 and NNZ-2566 Phase 1b trials anticipated for early 2007.

International Financial Reporting Standards (“IFRS”) were adopted for 2006. Adjustments arising from this were largely related to the recognition of the non-cash cost of share options issued by the Company (2006: \$102,000 expense; 2005: \$475,000 expense).

3. Income Statement

	Notes	12 months to 31 December 2006 NZ\$'000	12 months to 31 December 2005 NZ\$'000
Revenue			
Grants		1,295	1,714
Contract research revenues		194	460
Interest income		563	619
Total revenue		2,052	2,793
Expenses			
Depreciation and amortisation expense		(882)	(878)
Research and development costs		(9,534)	(7,961)
Patent costs		(582)	(500)
Share option compensation expense		(102)	(475)
Foreign exchange gain		455	63
Corporate and administrative costs		(2,753)	(2,393)
		13,398	12,144
Loss before income tax	3.1	(11,346)	(9,351)
Income tax		-	(19)
Net loss		(11,346)	(9,370)
Net loss per share:			
Basic	3.2	(\$0.10)	(\$0.10)
Diluted	3.2	(\$0.10)	(\$0.10)
Weighted average number of shares outstanding:			
Basic	3.2	116,801,208	98,109,589
Diluted	3.2	116,801,208	98,109,589

3.1 Loss before income tax

	12 months to 31 December 2006 NZ\$'000	12 months to 31 December 2005 NZ\$'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Scientific equipment	11	3
Computer equipment	15	16
Fixtures and fittings	12	22
Leasehold improvements	9	7
Total depreciation	47	48
Amortisation		
Intellectual property	831	830
Software	4	-
Total amortisation	835	830
Remuneration of auditors		
Audit fees	58	56
Taxation advisory fees	3	11
Total remuneration of auditors	61	67
Employee benefits expense		
Salaries and wages	2,253	1,824
Share option compensation	102	151
Total employee benefits expense	2,355	1,975
Directors' fees	198	162
Lease expense	130	74

3.2 Loss per Share

	12 months to 31 December 2006 NZ\$'000	12 months to 31 December 2005 NZ\$'000
Basic and diluted:		
Unadjusted net loss	(11,346)	(9,370)
Weighted average shares outstanding	116,801,208	98,109,589
Net deficit per share	(\$0.10)	(\$0.10)

Basic net deficit per share is based upon the weighted average number of outstanding ordinary shares. For the years ended 31 December 2006 and 2005, the Company's potentially dilutive ordinary share equivalents (being the options over ordinary shares) have an anti-dilutive effect on loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating diluted net deficit per share.

4. Balance Sheet

	Notes	31 December 2006 NZ\$'000	31 December 2005 NZ\$'000
ASSETS			
Current assets:			
Cash and cash equivalents		10,609	12,499
Trade and other receivables		994	1,157
Income taxes receivable		6	6
Total current assets		11,609	13,662
Non-current assets:			
Property, plant and equipment	4.1	303	78
Intangible assets	4.2	9,986	10,809
Total non-current assets		10,289	10,887
TOTAL ASSETS		21,898	24,549
LIABILITIES AND SHAREHOLDERS' FUNDS			
Current liabilities:			
Trade and other payables		3,698	3,261
Lease incentive – short term		15	-
Total current liabilities		3,713	3,261
Non-current liabilities:			
Lease incentive – long term		75	-
Total liabilities		3,788	3,261
SHAREHOLDERS' EQUITY			
Share capital	4.3	49,943	41,877
Other reserves		586	484
Accumulated deficit	8	(32,419)	(21,073)
Total shareholders' funds		18,110	21,288
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,898	24,549

4.1 Property, plant and equipment

	Scientific Equipment NZ\$'000	Computer Equipment NZ\$'000	Fixtures & Fittings NZ\$'000	Leasehold Improvements NZ\$'000	Total NZ\$'000
As at 31 December 2004					
Cost	-	237	103	32	372
Accumulated depreciation	-	(220)	(67)	(13)	(300)
Net book value	-	17	36	19	72
Movements in the year ended 31 December 2005					
Opening net book value	-	17	36	19	72
Additions	42	12	-	-	54
Depreciation	(3)	(16)	(22)	(7)	(48)
Closing net book value	39	13	14	12	78
As at 31 December 2005					
Cost	42	249	103	32	426
Accumulated depreciation	(3)	(236)	(89)	(20)	(348)
Net book value	39	13	14	12	78
Movements in the year ended 31 December 2006					
Opening net book value	39	13	14	12	78
Additions	2	37	52	192	283
Depreciation	(11)	(15)	(12)	(9)	(47)
Assets written off	-	-	(2)	(9)	(11)
Closing net book value	30	35	52	186	303
As at 31 December 2006					
Cost	44	67	105	192	408
Accumulated depreciation	(14)	(32)	(53)	(6)	(105)
Net book value	30	35	52	186	303

During the year the Company moved premises and at that time fully depreciated assets and leasehold improvements related to the previous tenancy were written off.

4.2 Intangible Assets

	Acquired Patents NZ\$'000	Purchased Software NZ\$'000	Total NZ\$'000
As at 31 December 2004			
Cost	12,446	-	12,446
Accumulated amortisation	(830)	-	(830)
Net book value	<u>11,616</u>	<u>-</u>	<u>11,616</u>
Movements in the year ended 31 December 2005			
Opening net book value	11,616	-	11,616
Additions	15	8	23
Amortisation	(830)	-	(830)
Closing net book value	<u>10,801</u>	<u>8</u>	<u>10,809</u>
As at 31 December 2005			
Cost	12,461	8	12,469
Accumulated amortisation	(1,660)	-	(1,660)
Net book value	<u>10,801</u>	<u>8</u>	<u>10,809</u>
Movements in the year ended 31 December 2006			
Opening net book value	10,801	8	10,809
Additions	-	12	12
Amortisation	(831)	(4)	(835)
Closing net book value	<u>9,970</u>	<u>16</u>	<u>9,986</u>
As at 31 December 2006			
Cost	12,461	20	12,481
Accumulated amortisation	(2,491)	(4)	(2,495)
Net book value	<u>9,970</u>	<u>16</u>	<u>9,986</u>

4.3 Share Capital

	31 December 2006 000's	31 December 2005 000's
Issued share capital		
<i>Ordinary shares - number of shares</i>		
Balance at beginning of year	112,000	62,500
Shares issued for cash during the year	19,094	49,500
Ordinary shares issued as at end of year	131,094	112,000
	31 December 2006 NZ\$'000	31 December 2005 NZ\$'000
Issued share capital		
<i>Ordinary shares - value</i>		
Balance at beginning of year	41,877	21,158
Shares issued for cash during the year	8,066	20,719
Total issued share capital	49,943	41,877

5. Statement of Cash Flows

Notes	12 months to 31 December 2006 NZ\$'000	12 months to 31 December 2005 NZ\$'000
Cash flows in operating activities:		
Receipts from grants	1,438	1,199
Receipts from customers	-	737
Interest received	563	619
Net GST received (paid)	260	281
Income taxes refunded (paid)	-	(24)
Payments to suppliers	(10,346)	(9,895)
Payments to employees	(2,167)	(1,902)
	(10,252)	(8,985)
Cash flows in investing activities:		
Purchase of plant and equipment	(226)	(49)
Purchase of intellectual property	-	(15)
Purchase of other intangible assets	(20)	-
	(246)	(64)
Cash flows in financing activities:		
Proceeds from the issue of shares	8,576	22,996
Payment of share issue costs	(538)	(1,901)
Lease incentive received	92	-
	8,130	21,095
Net (decrease) increase in cash	(2,368)	12,046
Effect of exchange rate changes on cash balances	478	110
Cash at the beginning of the year	12,499	343
	10,609	12,499
Reconciliation with loss after income tax:		
Loss after income tax	(11,346)	(9,370)
<i>Non-cash items requiring adjustment:</i>		
Depreciation of property, plant and equipment	47	48
Property, plant and equipment written off	11	-
Amortisation of intangible assets	835	830
Share option compensation expense	102	475
Foreign exchange loss (gain)	(455)	(63)
Lease incentive amortisation	(1)	-
<i>Changes in working capital:</i>		
Trade and other receivables	155	(116)
Trade and other payables	400	(789)
	(10,252)	(8,985)

6. Dividends

No ordinary share dividend or distribution payments were made in the financial year. The directors do not recommend the payment of any dividends with respect to the financial year.

7. Dividend or Distribution Reinvestment Plan

Not applicable.

8. Statement of Retained Earnings

	12 months to 31 December 2006 NZ\$'000	12 months to 31 December 2005 NZ\$'000
Net loss for the year being total recognised revenues and expenses	(11,346)	(9,370)
Retained earnings at the beginning of the year	(21,073)	(11,703)
Retained earnings at the end of the year	(32,419)	(21,073)

9. Net Tangible Assets per Security

	31 December 2006 NZ\$	31 December 2005 NZ\$
Net tangible assets per security	\$0.06	\$0.09

10. Control Over Entities

Name of entity	Date of incorporation	Principal activities	Interest held	Domicile
AgVentures Limited	7 October 2003	Dormant	100%	New Zealand
NeuroendocrinZ Limited	10 July 2002	Dormant	100%	New Zealand
Neuren Pharmaceuticals Inc.	20 August 2002	US Based Office	100%	USA
Neuren Pharmaceuticals (Australia) Pty Ltd	9 November 2006	Dormant	100%	Australia

All subsidiaries have a balance date of 31 December. The subsidiaries have had no material impact on the financial performance or position of the Company.

11. Associates and Joint Venture Entities

Not applicable.

12. Significant Information

None.

13. Accounting Standards

The financial statements of the Company are prepared in conformity with generally accepted accounting practice and accounting standards in New Zealand. New Zealand International Financial Reporting Standards ("NZIFRS") were adopted for 2006. Adjustments arising from this were largely related to the recognition of the non-cash cost of share options issued by the Company (2006: \$102,000 expense; 2005: \$475,000 expense).

14. Commentary on the Results

The net deficit per share is presented in note 3.2 above and no ordinary share dividends have been declared in the year.

Neuren predominantly operates in one business segment, being the research and development of therapeutic products for the treatment of brain injury and other diseases, and from one geographical location, being New Zealand.

A commentary on the Company's results for the year ended 31 December 2006 is presented above under note 2.

15. Audit Status

This report is based upon financial statements for the year ended 31 December 2006 which have been audited, as have the results for the year ended 31 December 2005 as presented in this report.

The Company's auditor is PricewaterhouseCoopers, Auckland and no disputes have arisen.