Rule 4.3A

Appendix 4E

Neuren Pharmaceuticals Limited
ARBN 111 496 130

Preliminary final report
Financial year ended 31 December 2013

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

1. Reporting Period

Neuren Pharmaceuticals Limited ARBN 111 496 130 presents the following consolidated information for the year ended 31 December 2013 together with comparative results for the year ended 31 December 2012.

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

2. Results for announcement to the market

	2013 NZ$'000	2012 NZ$'000	Increase NZ$'000	% Change
2.1 Operating Revenue	5,874	5,586	288	5%
2.2 Loss after Tax attributable to equity holders	(12,292)	(6,422)	(5,870)	91%
2.3 Net Loss attributable to equity holders	(12,292)	(6,422)	(5,870)	91%
2.4 Dividends	N/A	N/A	N/A	N/A

The consolidated net loss attributable to equity holders for the year ended 31 December 2013 was NZ$12.3 million (2012: NZ$6.4 million). The increased loss was due to the following:

- A non-cash impairment loss of $3.2 million;
- An increase of $1.4 million in research and development costs;
- An increase of $1.4 million in accounting foreign exchange losses, due to the translation of Australian dollar cash reserves into New Zealand dollars at the year-end exchange rate, solely for the purpose of reporting financial results in New Zealand dollars[1]; and
- An increase of $0.9 million in corporate and administration costs; offset by
- A decrease of $0.9 million in share based payment expense; and
- An increase of $0.3 million in grant revenue from the US government.

[1] Neuren's reporting currency will change from New Zealand dollars to Australian dollars, effective 1 January 2014.

3. Income Statement

Refer to attached Financial Statements.

4. Balance Sheet

Refer to attached Financial Statements.

5. Statement of Cash Flows

Refer to attached Financial Statements.

6. Dividends

No dividends were paid 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 Changes in Equity

Refer to attached Financial Statements.

9. Net Tangible Assets per Security

	31 December 2013 NZ$	31 December 2012 NZ$
Net tangible assets per security	$0.017	$0.003

10. Changes in Control Over Entities

Not applicable.

11. Associates and Joint Venture Entities

Not applicable.

12. Significant Information

Refer to attached Financial Statements.

13. Accounting Standards

The Financial Statements have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand, International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities in New Zealand.

14. Commentary on the Results

Refer to attached Financial Statements.

15. Audit Status

This report is based upon the attached audited financial statements for the year ended 31 December 2013.

Neuren Pharmaceuticals Limited

Financial Report and Directors' Report for the year ended 31 December 2013

Directors' Report

Principal Activities
Neuren Pharmaceuticals Limited (Neuren or the Company, and its subsidiaries, or the Group) is a publicly listed biopharmaceutical company focusing on the development of drugs for neurological disorders.

Performance Overview
During 2013 Neuren made significant progress on implementing its corporate development strategy. The strategy is designed to increase the value of Neuren's key assets by extending the therapeutic focus from acute brain injury to chronic neurological conditions requiring longer term dosing. Key developments included:

- A Phase 2 trial of NNZ-2566 in Rett Syndrome commenced in April 2013.
- Neuren received Fast Track designation from the US Food and Drug administration (FDA) for its Rett Syndrome development program in June 2013.
- Neuren announced positive results from a validated animal model of Fragile X Syndrome using Neuren's second drug molecule, NNZ-2591, in July 2013.
- Neuren received both Orphan Drug designation and Fast Track designation from the US Food and Drug administration for its Fragile X Syndrome development program in October 2013.
- A Phase 2 trial of NNZ-2566 in Fragile X Syndrome commenced in January 2014.
- The US Patent and Trademark Office issued two new patents covering NNZ-2566 and one new patent covering NNZ-2591.

In October 2013, Neuren successfully completed a capital raising to provide funding to implement its strategy. A placement of new shares at A$0.115 per share to institutional and sophisticated investors in Australia, New Zealand, the United Kingdom and Hong Kong provided funds before expenses of A$21.5 million. A Share Purchase Plan offered to shareholders at the same price per share provided further funds of A$2.0 million.

During 2013, the Company's corporate office was transferred from Auckland, New Zealand to Melbourne, Australia. The Directors intend to change the Company's and Group's functional reporting currency to Australian dollars from 1 January 2014.

The detailed financial statements are presented on pages 6 to 28. All amounts in the Financial Statements are shown in New Zealand dollars unless otherwise stated.

The Group's net loss attributable to equity holders of the Company for the year ended 31 December 2013 was $12,292,000 (2012: $6,422,000). The increased loss was due to the following:

- A non-cash Impairment loss of $3.2 million following a review of the carrying value of the acquired intellectual property related to Motiva™;
- An increase of $1.4 million in research and development costs, mainly attributable to the Rett Syndrome clinical trial and the Traumatic Brain Injury clinical trial;
- An increase of $1.4 million in reported foreign exchange losses, due to the translation for accounting purposes only of Australian dollar cash reserves into New Zealand dollars; and
- An increase of $0.9 million in corporate and administration costs, mainly due to the appointment of an additional executive director and higher legal and travel costs; offset by
- A decrease of $0.9 million in share based payment expense, due to the completion of the amortisation of vested share options; and
- An increase of $0.3 million in grant revenue from the US government, reflecting higher costs in the Traumatic Brain Injury trial.

The net loss per share for 2013 was $0.010 (2012: $0.005) based on a weighted average number of shares outstanding of 1,261,220,342 (2012: 1,174,106,753).

Cash reserves at 31 December 2013 were $26.5 million (2012: $6.5 million). Operating cash outflow increased to $8.4 million (2012: $3.7 million) due to the higher development and corporate costs and US government grant of $1.6 million earned but not received at 31 December 2013. Financing cash inflow increased to $30.0 million (2012: $0.5 million) due to the capital raising and to proceeds from the exercise of options of $4.0 million (2012: $0.5 million).

No dividends were paid in the year and the Directors recommend none for the year.

Directors
Dr Richard Treagus, BScMed, MBChB, MPharmMed, MBA (Executive Chairman)
Dr Treagus joined the Neuren Board as Executive Chairman on 31 January 2013. He is a physician and entrepreneur, with more than 20 years' experience in all aspects of the international biopharmaceutical industry. He is a business builder with a track record of delivering strong commercial outcomes and shareholder returns. He has held senior executive roles with pharmaceutical organisations in South Africa and

Australia and has successfully established numerous pharmaceutical business partnerships in the US, Europe and Asia. Dr Treagus served as Chief Executive of the ASX-listed company Acrux Limited until 2012. Under his leadership Acrux gained FDA approval for three drug products and concluded the largest product licensing deal in the history of the Australian biotech industry; a transaction with Eli Lilly worth US$335m plus royalties. Acrux is now a leading Australian biotechnology company and has been profitable since 2010. In 2010 Dr Treagus was awarded the Ernst and Young Entrepreneur-of-the-Year (Southern Region) in the Listed Company Category and in subsequent years has served on the judging panel.

Mr Larry Glass (Executive Director and Chief Science Officer)
Mr Glass joined Neuren in 2004 and has been an Executive Director since May 2012. He is a seasoned manager with more than 30 years in the life sciences industry. Before he joined Neuren, he worked as an independent consultant for a number of biotech companies in the US and internationally providing management, strategic and business development services. Prior to that, he was CEO of a contract research organisation ("CRO") that provided preclinical research and clinical trials support for major pharmaceutical and biotechnology companies and the US government. For a number of years, the CRO operated as a subsidiary of a NYSE-listed company and was subsequently sold to a European biopharmaceutical enterprise which was then acquired by Johnson & Johnson.

Mr Bruce Hancox, BCom (Non-Executive Director)
Mr Hancox joined the Neuren Board in March 2012. Mr Hancox has had a long and distinguished career in business in New Zealand and Australia. He was for many years involved with Brierley Investments Limited as General Manager, Group Chief Executive and Chairman. He also served as a director of many Brierley subsidiaries in New Zealand, Australia and the United States. Since 2006 he has pursued various private investment interests and has been a director of, and consultant to, a number of companies. He has acted as an advisor on a number of takeover situations. From 2007 to 30 April 2013 he was a director of Australian listed company Retail Food Group Limited and in February 2014 he became a director of Australian listed company Medical Australia Limited.

Dr Trevor Scott, MNZM, LLD (Hon), BCom, FCA, FNZIM, DF Inst D (Non-Executive Director)
Dr Scott joined the Neuren Board in March 2002. He is the founder of T.D. Scott and Co., an accountancy and consulting firm, which he formed in 1988. He is an experienced advisor to companies across a variety of industries. Dr Scott serves on numerous corporate boards and is chairman of several, including Mercy Hospital Dunedin Limited and Arthur Barnett Limited. He is also a director of Argosy Property Limited which is listed on the New Zealand Stock Exchange.

Dr Robin Congreve, LLM, PhD (Non-Executive Director)
Dr Congreve resigned from the Neuren Board on 20 May 2013.

Dr John Holaday, PhD (Non-Executive Director)
Dr Holaday resigned from the Neuren Board on 30 August 2013

Dr Douglas Wilson, MB, ChB, PhD (Non-Executive Director)
Dr Wilson resigned from the Neuren Board on 20 May 2013.

Interests Register
The Company is required to maintain an interests register in which particulars of certain transactions and matters involving Directors must be recorded. Details of the entries in this register for each of the Directors during and since the end of 2013 are as follows:

Dr R Treagus
Dr Treagus became a director of Hatchtech Pty Ltd, an unlisted company developing a novel head lice treatment. As detailed in note 12 to the Financial Statements, 40 million shares in the Company under the Loan Funded Share Plan and 9,615,385 Equity Performance Rights to shares in the company were issued to Dr Treagus.

Mr B Hancox
Mr Hancox became a director of Medical Australia Limited, a medical products and distribution company, listed in Australia and ceased to be a director of Retail Food Group Limited, a company listed in Australia.

Dr T D Scott
Dr Scott acquired a relevant interest in 6,125,006 shares and 10,604,991 shares, each issued on the exercise of options to acquire ordinary shares in the Company.

Dr Robin Congreve
Dr Congreve exercised options to acquire 10 million ordinary shares in the Company.

Dr John Holaday
Dr Holoday exercised options to acquire 5 million ordinary shares in the Company.

Information used by Directors
During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

Indemnification and Insurance of Directors and Officers
Neuren has arranged Directors and Officers Liability Insurance which provides that Directors and Officers generally will incur no monetary loss as a result of actions undertaken by them as Directors and Officers. The insurance does not cover liabilities arising from criminal activities or deliberate or reckless acts or omissions.

Remuneration of Directors
Remuneration of the Directors is shown in the table below, including fees and the value of benefits, as well as the estimated fair value of share based payments amortised during the year or written back on the lapse of unvested share options.

Remuneration of Directors	Remuneration 2013 NZ$'000	Share based payments 2013 NZ$'000	Remuneration 2012 NZ$'000	Share based payments 2012 NZ$'000
Dr Richard Treagus	512	402	-	-
Mr Larry Glass	493	110	522	495
Mr Bruce Hancox	37	-	29	-
Dr Trevor Scott	44	56	60	254
Dr Robin Congreve	19	(134)	100	254
Dr John Holaday	23	14	35	63
Dr Doug Wilson	10	(34)	35	63
Dr Graeme Howie	-	14	(159)	63

Executive Remuneration
The number of employees, not being directors of the Company, who received remuneration and benefits above $100,000 per annum, was as follows:

	2013 NZ$'000	2012 NZ$'000
$100,000 - $109,999	1	-
$130,000 - $139,999	1	-
$140,000 - $149,999	1	2
$160,000 - $169,999	-	1
$210,000 - $219,999	-	1
$220,000 - $229,999	1	-
$250,000 - $259,999	-	1
$290,000 - $299,999	1	-

Donations
The Company made no donations during the year (2012: nil).

Auditors
PricewaterhouseCoopers are the auditors of the Company. Audit fees in relation to the annual and interim financial statements were $56,627 (2012: $45,000). During 2013 PricewaterhouseCoopers also received $14,700 (2012: nil) in relation to other financial advice and services.

Neuren Pharmaceuticals Limited

For and on behalf of the Board of Directors who authorised the issue of these financial statements on 26 February 2014.

Dr Richard Treagus
Chairman

Dr Trevor Scott
Director

Financial Statements
for the year ended 31 December 2013

Statements of Comprehensive Income

for the year ended 31 December 2013

		Consolidated		Parent	
		2013	2012	2013	2012
	Notes	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Revenue - interest income		216	253	216	250
		216	253	216	250
Other income - grants		5,658	5,333	-	-
Total revenue and other income		5,874	5,586	216	250
Research and development costs		(9,483)	(8,053)	(4,575)	(1,907)
Corporate and administrative costs		(2,456)	(1,571)	(2,416)	(1,461)
Foreign exchange loss		(1,593)	(179)	(1,613)	(146)
Patent costs		(268)	(177)	(184)	(86)
Depreciation and amortisation expense	4	(466)	(456)	(102)	(92)
Share based payment expense		(774)	(1,694)	(774)	(1,694)
Impairment loss	10	(3,167)	-	(4,201)	-
Provision for doubtful debt	8	-	-	(826)	-
Loss before income tax		(12,333)	(6,544)	(14,475)	(5,136)
Income tax expense	5	-	-	-	-
Loss after income tax		(12,333)	(6,544)	(14,475)	(5,136)
Other comprehensive expense, net of tax					
Exchange differences on translation of foreign operations		13	(122)	-	-
Total comprehensive loss		(12,320)	(6,666)	(14,475)	(5,136)
Loss after income tax attributable to:					
Equity holders of the company		(12,292)	(6,422)	(14,475)	(5,136)
Minority interest		(41)	(122)	-	-
		(12,333)	(6,544)	(14,475)	(5,136)
Total comprehensive loss attributable to:					
Equity holders of the company		(12,279)	(6,544)	(14,475)	(5,136)
Minority interest		(41)	(122)	-	-
		(12,320)	(6,666)	(14,475)	(5,136)

The notes on pages 10 to 28 form part of these financial statements

Statements of Financial Position

as at 31 December 2013

	Notes	Consolidated 2013 NZ$'000	Consolidated 2012 NZ$'000	Parent 2013 NZ$'000	Parent 2012 NZ$'000
ASSETS					
Current assets:					
Cash and cash equivalents	7	26,475	6,477	26,374	6,450
Trade and other receivables	8	1,807	164	2,338	1,521
Total current assets		28,282	6,641	28,712	7,971
Non-current assets:					
Property, plant and equipment	9	25	32	25	32
Intangible assets	10	428	4,021	392	472
Investments in subsidiaries	14	-	-	56	4,257
Total non-current assets		453	4,053	473	4,761
TOTAL ASSETS		28,735	10,694	29,185	12,732
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables	11	2,239	2,676	1,517	1,387
Lease incentive – short term		-	7	-	7
Total current liabilities		2,239	2,683	1,517	1,394
Non-current liabilities:					
Lease incentive – long term		-	17	-	17
Total liabilities		2,239	2,700	1,517	1,411
EQUITY					
Share capital	12	110,962	80,914	110,962	80,914
Other reserves		10,720	9,933	10,966	10,192
Accumulated deficit		(94,964)	(82,672)	(94,260)	(79,785)
Total Equity attributable to equity holders		26,718	8,175	27,668	11,321
Minority interest in equity		(222)	(181)	-	-
Total Equity		26,496	7,994	27,668	11,321
TOTAL LIABILITIES AND EQUITY		28,735	10,694	29,185	12,732

The notes on pages 10 to 28 form part of these financial statements

Statements of Changes in Equity

for the year ended 31 December 2013

Consolidated	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Attributable to Equity Holders	Minority Interest	Total Equity
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Equity as at 1 January 2012	80,374	8,498	(137)	(76,250)	12,485	(59)	12,426
Comprehensive loss for the year			(122)	(6,422)	(6,544)	(122)	(6,666)
Transactions with Owners:							
Shares issued on option exercise	547				547		547
Share issue costs expensed	(7)				(7)		(7)
Share based payments for services		1,694			1,694		1,694
Equity as at 31 December 2012	80,914	10,192	(259)	(82,672)	8,175	(181)	7,994
Comprehensive loss for the year			13	(12,292)	(12,279)	(41)	(12,320)
Transactions with Owners:							
Shares issued on option exercise	4,050				4,050		4,050
Shares issued in Share Purchase Plan	2,270				2,270		2,270
Shares issued in private placement	24,797				24,797		24,797
Share issue costs expensed	(1,069)				(1,069)		(1,069)
Share based payments for services		774			774		774
Equity as at 31 December 2013	110,962	10,966	(246)	(94,964)	26,718	(222)	26,496

Parent	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Attributable to Equity Holders
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Equity as at 1 January 2012	80,374	8,498	-	(74,649)	14,223
Comprehensive loss for the year				(5,136)	(5,136)
Transactions with Owners:					
Shares issued on option exercise	547				547
Share issue costs expensed	(7)				(7)
Share based payments for services	-	1,694			1,694
Equity as at 31 December 2012	80,914	10,192	-	(79,785)	11,321
Comprehensive loss for the year				(14,475)	(14,475)
Transactions with Owners:					
Shares issued on option exercise	4,050				4,050
Shares issued in Share Purchase Plan	2,270				2,270
Shares issued in private placement	24,797				24,797
Share issue costs expensed	(1,069)				(1,069)
Share based payments for services		774			774
Equity as at 31 December 2013	110,962	10,966	-	(94,260)	27,668

The notes on pages 10 to 28 form part of these financial statements

Statements of Cash Flows

for the year ended 31 December 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Cash flows from operating activities:				
Receipts from grants	4,087	5,333	-	-
Interest received	153	254	153	252
GST refunded	60	77	60	77
Payments to employees	(2,764)	(1,696)	(2,764)	(1,611)
Payments to other suppliers	(9,923)	(7,687)	(4,465)	(1,844)
Net cash used in operating activities	(8,387)	(3,719)	(7,016)	(3,126)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(19)	(37)	(19)	(37)
Purchase of intangible assets	-	(8)	-	(8)
Proceeds from sale of property, plant and equipment	2	2	2	2
Advance (to)/from subsidiaries	-	-	(1,443)	(576)
Net cash used in investing activities	(17)	(43)	(1,460)	(619)
Cash flows from financing activities:				
Proceeds from the issue of shares	27,068	-	27,068	-
Proceeds from the exercise of options	4,049	547	4,049	547
Payment of share issue expenses	(1,069)	(7)	(1,069)	(7)
Net cash provided from financing activities	30,048	540	30,048	540
Net (decrease) increase in cash	21,644	(3,222)	21,572	(3,205)
Effect of exchange rate changes on cash balances	(1,646)	(145)	(1,648)	(142)
Cash at the beginning of the year	6,477	9,844	6,450	9,797
Cash at the end of the year	26,475	6,477	26,374	6,450
Reconciliation with loss after income tax:				
Loss after income tax	(12,333)	(6,544)	(14,475)	(5,136)
Non-cash items requiring adjustment:				
Depreciation of property, plant and equipment	22	12	22	12
Amortisation of intangible assets	444	444	80	80
Impairment loss	3,167	-	4,202	-
Provision for doubtful debt			826	
Share option compensation expense	774	1,694	774	1,694
Foreign exchange (gain) loss	1,642	179	1,649	146
Lease incentive recognition and amortisation	(24)	15	(24)	15
Changes in working capital:				
Trade and other receivables	(1,643)	(29)	(200)	26
Trade and other payables	(436)	510	130	37
Net cash used in operating activities	(8,387)	(3,719)	(7,016)	(3,126)

The notes on pages 10 to 28 form part of these financial statements

Neuren Pharmaceuticals Limited

Notes to the Financial Statements
for the year ended 31 December 2013

1. Nature of business

Neuren Pharmaceuticals Limited (Neuren or the Company, and its subsidiaries, or the Group) is a publicly listed biopharmaceutical company focusing on the development of drugs for neurological disorders. The neurological drugs target symptoms resulting from acute traumatic brain injury, as well as symptoms of chronic conditions such as Rett Syndrome and Fragile X Syndrome.

The Company is a limited liability company incorporated in New Zealand. The address of its registered office in New Zealand is at the offices of Lowndes Jordan, Level 15 PWC Tower, 188 Quay Street, Auckland 1141. Neuren ordinary shares are listed on the Australian Securities Exchange (ASX code: NEU).

These consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2014.

Inherent Uncertainties

- There are inherent uncertainties associated with assessing the carrying value of the acquired intellectual property. The ultimate realisation of the carrying values of intellectual property is dependent on the Company and Group successfully developing its products, on licensing the products, or divesting the intellectual property so that it generates future economic benefits to the Company.

- The Group's research and development activities involve inherent risks. These risks include, among others: dependence on, and the Group's ability to retain key personnel; the Group's ability to protect its intellectual property and prevent other companies from using the technology; the Group's business is based on novel and unproven technology; the Group's ability to sufficiently complete the clinical trials process; and technological developments by the Group's competitors may render its products obsolete.

- The Company has a business plan which will require expenditure in excess of revenue until sales revenue streams are established and therefore expects to continue to incur additional net losses until then. In the future, the Company may need to raise further financing through other public or private equity financings, collaborations or other arrangements with corporate sources, or other sources of financing to fund operations. There can be no assurance that such additional financing, if available, can be obtained on terms reasonable to the Company.

2. Summary of significant accounting policies

These general-purpose financial statements are for the year ended 31 December 2013 and have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand, International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

(a) Basis of preparation

Entities Reporting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2013 and the results of all subsidiaries for the year then ended. Neuren Pharmaceuticals Limited and its subsidiaries, which are designated as profit-oriented entities for financial reporting purposes, together are referred to in these financial statements as the Group.

The financial statements of the 'Parent' are for the Company as a separate legal entity.

Statutory Base

Neuren is registered under the New Zealand Companies Act 1993 and is an issuer in terms of the New Zealand Securities Act 1978. Neuren is also registered as a foreign company under the Australian Corporations Act 2001.

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by certain policies below.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgement in the process of applying the Company's accounting policies such as in relation to impairment, if any, of intangible assets set out in note 10. Actual results may differ from those estimates.

Changes in accounting policies

There were no changes in accounting policies in the year ended 31 December 2013.

(b) Principles of Consolidation

Subsidiaries

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's operations are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that operation ("functional currency"). The Consolidated and Parent financial statements are presented in New Zealand dollars, which is the Group's presentation currency. From 1 January 2014 the presentation currency will change to Australian dollars.

(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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign Operations

The results and financial position of foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Grants

Grants received are recognised in the Statement of Comprehensive Income over the periods in which the related costs for which the grants are intended to compensate are recognised expenses and when the requirements under the grant agreement have been met. Any grants received for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Interest income

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

(f) Research and development

Research costs include direct and directly attributable overhead expenses for drug discovery, research and pre-clinical and clinical trials. Research costs are expensed as incurred.

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, development expenditure is recognised as a development asset using the following criteria:

- a product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;

- the technical feasibility of the product or process can be demonstrated;
- the existence of a market for the product or process can be demonstrated and the Group intends to produce and market the product or process;
- adequate resources exist, or their availability can be reasonably demonstrated to complete the project and market the product or process.

In such cases the asset is amortised from the commencement of commercial production of the product to which it relates on a straight-line basis over the years of expected benefit. Research and development costs are otherwise expensed as incurred.

(g) Income tax
The income tax expense for the period is the tax payable on the period's taxable income or loss using tax rates enacted at the balance sheet date and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted at the balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

(i) Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of a long-lived asset is considered impaired when the recoverable amount from such asset is less than its carrying value. In that event, a loss is recognised in the Statement of Comprehensive Income based on the amount by which the carrying amount exceeds the fair market value less costs to sell of the long-lived asset. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved.

(j) Goods and services tax (GST)
The financial statements have been prepared so that all components are presented exclusive of GST. All items in the statement of financial position are presented net of GST, with the exception of receivables and payables, which include GST invoiced.

(k) Intellectual property
Costs in relation to protection and maintenance of intellectual property are expensed as incurred unless the project has yet to be recognised as commenced, in which case the expense is deferred and recognised as contract work in progress until the revenues and costs associated with the project are recognised.

(l) Cash and cash equivalents
Cash and cash equivalents comprises cash and demand deposits held with established financial institutions and highly liquid investments, which have maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Accounts receivable
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(n) Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is determined principally using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Scientific equipment	4 years
Computer equipment	2 years
Office furniture, fixtures & fittings	4 years
Leasehold Improvements	Term of lease

(o) Intangible assets

Intellectual property

Acquired patents, trademarks and licences have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost over the anticipated useful lives, which are aligned with the unexpired patent term or agreement over trademarks and licences.

Acquired software

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two years).

(p) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, bonuses and annual leave expected to be settled within 12 months of the reporting date are recognised in accrued liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Share-based payments

Neuren operates equity-settled share option and share plans. The fair value of the services received in exchange for the grant of the options or shares is recognised as an expense with a corresponding increase in other reserve equity over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares at grant date. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest and become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital.

(q) Share issue costs

Costs associated with the issue of shares which are recognised in shareholders' equity are treated as a reduction of the amount collected per share.

(r) Financial instruments

Financial instruments recognised in the statement of financial position include cash and cash equivalents, trade and other receivables and payables, equipment finance and convertible notes. The Company believes that the amounts reported for financial instruments approximate fair value due to their short term nature.

Although it is exposed to interest rate and foreign currency risks, the Company does not utilise derivative financial instruments.

Financial assets: Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and "cash and cash equivalents" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

(s) Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(t) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later periods and which the Group has not adopted early. The key items applicable to the Group are:

- NZ IFRS 9: Financial Instruments (effective for annual periods beginning on or after 1 January 2015) partly replaces NZ IAS 39 and introduces requirements for classifying and measuring financial assets and liabilities.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to impact the Company or Group.

3. Segment information

The Group operates as a single operating segment and internal management reporting systems present financial information as a single segment. The segment derives its revenue from the development of pharmaceutical products. In the prior year financial information was presented as two geographic segments, being New Zealand and the United States. Internal management systems and the reporting of financial information changed during 2013 following the reorganisation and transfer of the corporate office to Australia.

Further information on revenue is shown in the table below. United States Grant income was entirely received from the United States federal government.

	2013	2012
	NZ$'000	NZ$'000
Grant income - United States	5,658	5,311
Grant Income - New Zealand	-	22
Total Grant income	5,658	5,333
Interest income - Australia	139	-
Interest income - New Zealand	77	251
Interest income - United States	-	2
Total Interest income	216	253

4. Expenses

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Loss before income tax includes the following specific expenses:				
Depreciation – property, plant and equipment				
Scientific equipment	-	-	-	-
Computer equipment	22	10	22	10
Fixtures and fittings	-	1	-	1
Leasehold improvements	-	1	-	1
Total depreciation	22	12	22	12
Amortisation – intangible assets				
Intellectual property	442	442	78	78
Software	2	2	2	2
Total amortisation	444	444	80	80
Remuneration of auditors				
Audit fees	57	45	57	44
Taxation fees	15	-	15	-
Total remuneration of auditors	72	45	72	44
Employee benefits expense				
Salaries and wages	1,070	1,581	1,070	1,497
Share option compensation	345	997	610	997
Total employee benefits expense	1,415	2,578	1,680	2,494
Directors' fees	1,138	208	1,138	208
Directors' fees waived	-	(159)	-	(159)
Directors' share based payment compensation	429	697	402	697
Lease expense	137	128	137	128

5. Income tax

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Income tax expense	-	-	-	-
Numerical reconciliation of income tax expense to prima facie tax receivable:				
Loss before income tax	(12,333)	(6,544)	(14,475)	(5,136)
Tax at rates applicable in the respective countries	(3,797)	(1,963)	(4,052)	(1,438)
Tax effect of amounts not deductible (taxable) in calculating taxable income:				
Share option compensation	217	474	217	474
Impairment loss	1,298	-	1,176	-
Provision for doubtful debt	-	-	231	-
Other expenses not deductible for tax purposes	-	1	-	1
	(2,282)	(1,488)	(2,428)	(963)
Under (over) provision in prior years	72	2	72	-
Deferred tax assets not recognised	2,210	1,486	2,356	963
Income tax expense	-	-	-	-

The weighted average applicable tax rate for New Zealand segments is 28% and for United States segments 41% (2012: 28% and 41% respectively).

6. Loss per share

Basic loss per share is based upon the weighted average number of outstanding ordinary shares. For the years ended 31 December 2013 and 2012, the Company's potentially dilutive ordinary share equivalents (being the options over ordinary shares set out in note 12) 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 loss per share.

	Consolidated	
	2013	2012
	NZ$'000	NZ$'000
Loss after income tax attributable to equity holders	(12,292)	(6,422)
Weighted average shares outstanding (basic)	1,261,220,342	1,174,106,753
Weighted average shares outstanding (diluted)	1,261,220,342	1,174,106,753
Basic and diluted loss per share	($0.010)	($0.005)

7. Cash and cash equivalents

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Cash	1,602	52	1,562	38
Demand and short-term deposits	24,873	6,425	24,812	6,412
	26,475	6,477	26,374	6,450

8. Trade and other receivables

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Trade receivables	1,697	14	134	11
Interest receivable	63	-	63	-
Prepayments	47	150	47	33
Due from subsidiaries	-	-	2,920	1,477
Provision for doubtful debt	-	-	(826)	-
	1,807	164	2,338	1,521

A provision was made against the full amount receivable from the subsidiary Hamilton Pharmaceuticals Inc. following a review of the carrying value of the subsidiary's intellectual property relating to Motiva.

9. Property, plant and equipment

Consolidated and Parent	Scientific Equipment NZ$'000	Computer Equipment NZ$'000	Fixtures & Fittings NZ$'000	Leasehold Improvements NZ$'000	Total NZ$'000
As at 1 January 2012					
Cost	100	77	43	10	230
Accumulated depreciation	(100)	(74)	(42)	(8)	(224)
Net book value	-	3	1	2	6
Movements in the year ended 31 Dec 2012					
Opening net book value	-	3	1	2	6
Additions	-	37	1	-	38
Depreciation	-	(10)	(1)	(1)	(12)
Disposals	-	-	-	-	-
Closing net book value	-	30	1	1	32
As at 31 December 2012					
Cost	41	53	36	2	132
Accumulated depreciation	(41)	(23)	(35)	(1)	(100)
Net book value	-	30	1	1	32
Movements in the year ended 31 Dec 2013					
Opening net book value	-	30	1	1	32
Additions	-	17	2	-	19
Depreciation	-	(22)	-	-	(22)
Disposals	-	(2)	(1)	(1)	(4)
Closing net book value	-	23	2	-	25
As at 31 December 2013					
Cost	15	57	2	-	74
Accumulated depreciation	(15)	(34)	-	-	(49)
Net book value	-	23	2	-	25

10. Intangible assets

Consolidated	Intellectual Property NZ$'000	Acquired Software NZ$'000	Total NZ$'000
As at 1 January 2012			
Cost	6,856	-	6,856
Accumulated amortisation	(2,205)	-	(2,205)
Net book value	4,651	-	4,651
Movements in the year ended 31 December 2012			
Opening net book value	4,651	-	4,651
Additions	-	8	8
Amortisation	(442)	(2)	(444)
Exchange differences	(194)	-	(194)
Closing net book value	4,015	6	4,021
As at 31 December 2012			
Cost	6,583	8	6,591
Accumulated amortisation	(2,568)	(2)	(2,570)
Net book value	4,015	6	4,021
Movements in the year ended 31 December 2013			
Opening net book value	4,015	6	4,021
Additions	-	-	-
Amortisation	(441)	(3)	(444)
Impairment loss	(3,167)	-	(3,167)
Exchange differences	18	-	18
Closing net book value	425	3	428
As at 31 December 2013			
Cost	1,232	8	1,240
Accumulated amortisation	(807)	(5)	(812)
Net book value	425	3	428

Intellectual Property	NNZ-2566	Motiva	TFF/hGH
Opening net book value	466	3,508	41
Amortisation	(77)	(359)	(5)
Impairment loss	-	(3,167)	-
Exchange differences	-	18	-
Closing net book value	389	-	36
Remaining amortisation period	5 years		8.3 years

An impairment loss was recorded following a review of the carrying value of the Group's intellectual property related to Motiva, held by the subsidiary company Hamilton Pharmaceuticals Inc.

10. Intangible assets (continued)

Parent	Intellectual Property	Acquired Software	Total
	NZ$'000	NZ$'000	NZ$'000
As at 1 January 2012			
Cost	1,167	-	1,167
Accumulated amortisation	(623)	-	(623)
Net book value	544	-	544
Movements in the year ended 31 December 2012			
Opening net book value	544	-	544
Additions	-	8	8
Amortisation	(78)	(2)	(80)
Closing net book value	466	6	472
As at 31 December 2012			
Cost	1,167	8	1,175
Accumulated amortisation	(701)	(2)	(703)
Net book value	466	6	472
Movements in the year ended 31 December 2013			
Opening net book value	466	6	472
Additions	-	-	-
Amortisation	(77)	(3)	(80)
Closing net book value	389	3	392
As at 31 December 2013			
Cost	1,167	8	1,175
Accumulated amortisation	(778)	(5)	(783)
Net book value	389	3	392

11. Trade and other payables

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Trade payables	2,012	2,168	1,290	929
Accruals	119	360	119	310
Employee benefits	108	148	108	148
	2,239	2,676	1,517	1,387

12. Share capital

Consolidated and Parent	2013 Shares	2012 Shares	2013 NZ$'000	2012 NZ$'000
Issued share capital				
Ordinary shares on issue at beginning of year	1,182,786,570	1,155,864,425	80,914	80,374
Shares issued in private placement	187,000,000	-	24,797	-
Shares issued in Share Purchase Plan	17,606,589	-	2,270	-
Shares issued in Loan Funded Share Plan	40,000,000	-	-	-
Shares issued on option exercise	85,135,804	26,922,145	4,050	547
Share issue expenses – cash issue costs	-	-	(1,069)	(7)
	1,512,528,963	1,182,786,570	110,962	80,914

(a) Ordinary Shares

The ordinary shares have no par value and all ordinary shares are fully paid-up and rank equally as to dividends and liquidation, with one vote attached to each fully paid ordinary share.

(b) Share Options

Movements in the number of share options were as follows:

Consolidated and Parent	Options	Weighted Average Exercise Price (NZ$)	Exercisable	Weighted Average Exercise Price (NZ$)
Outstanding at 1 January 2012	310,477,169	$ 0.036	235,810,505	$ 0.038
Granted	15,000,000	$ 0.024		
Exercised	(26,922,145)	$ 0.020		
Outstanding at 31 December 2012	298,555,024	$ 0.036	251,221,695	$ 0.037
Lapsed	(15,000,000)	$ 0.049		
Exercised	(85,135,804)	$ 0.053		
Outstanding at 31 December 2013	198,419,220	$ 0.027	193,419,220	$ 0.029

In 2011 the Company granted 39,273,507 options in conjunction with monthly conversions and final conversion on termination of convertible notes under a convertible loan facility. The options have a term of 4 years from their grant date and are exercisable into ordinary shares on a one-for-one basis with exercise prices ranging from A$0.0146 to A$0.0163 per share. 24,299,892 of these options remained outstanding at 31 December 2013. In 2010 the Company granted 72,517,351 options in conjunction with monthly conversions of convertible notes under the convertible loan facility. The options have a term of 4 years from their grant date and are exercisable into ordinary shares on a one-for-one basis with exercise prices ranging from A$0.0163 to A$0.0337 per share. 52,319,328 of these options remained unexercised at 31 December 2013.

In 2009 the Company granted 40,306,174 options in conjunction with a private placement on that date. The options were exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.0457 per share. The options were exercised in 2013.

In 2009 the Company granted 4,629,630 options in conjunction with partial conversion of a convertible note. The options were exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.0389 per share. The options were exercised in 2013.

In 2009 the Company granted 20,000,000 options in conjunction with obtaining a convertible loan facility. The options were exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.0445 per share. The options were exercised in 2013.

The above options were otherwise issued on terms and conditions not materially different to those of the Share Option Plan described below.

Share Option Plan
The Company has a Share Option Plan to assist in the retention and motivation of senior employees and certain consultants ("Participants"). Under the Share Option Plan, options may be offered to Participants by the Remuneration and Audit Committee. The maximum number of options to be issued and outstanding under the Share Option Plan is 15% of the issued ordinary shares of the Company at any time, with one third of these available to the directors with the approval of shareholders. No payment is required for the grant of options under the Share Option Plan. Each option is an option to subscribe in cash for one ordinary share, but does not carry any right to vote. Upon the exercise of an option by a Participant, each ordinary share issued will rank equally with other ordinary shares of the Company. Options granted under the Share Option Plan generally vest over three years' service by the Participant and lapse five years after grant date. At 31 December 2013 there were 123 million options outstanding under the Share Option Plan (2012: 153 million).

No options were granted during 2013. For options granted during 2012, the weighted average assessed fair value determined using the Black-Scholes valuation model was NZ$0.035 per option. The significant weighted average inputs into the model were a grant date share price of NZ$0.043, volatility of 122%, dividend yield of 0%, an expected option life of 3.6 years, and an annual risk-free interest rate of 2.93%. The expected price volatility was derived by analysing the historic volatility of the Company's shares since listing on the ASX.

The weighted average remaining contractual life of outstanding share options at 31 December 2013 is 1.9 years (2012: 2.5 years). The outstanding share options are detailed in the following table. The exercise price per share and the total exercise price are stated in Australian dollars.

Neuren Pharmaceuticals Limited

Number of options	Expiry date	Exercise price per share (A$)	Total exercise price (A$)
4,626,335	17/02/2014	0.0337	$ 155,907
4,270,463	17/02/2014	0.0337	$ 143,915
5,338,078	17/02/2014	0.0337	$ 179,893
1,169,064	22/03/2014	0.0334	$ 39,047
1,079,137	22/03/2014	0.0334	$ 36,043
1,348,921	22/03/2014	0.0334	$ 45,054
20,000,000	25/03/2015	0.0300	$ 600,000
3,000,000	25/03/2015	0.0300	$ 90,000
3,000,000	25/03/2015	0.0300	$ 90,000
1,231,061	21/04/2014	0.0317	$ 39,025
1,136,363	21/04/2014	0.0317	$ 36,023
1,420,455	21/04/2014	0.0317	$ 45,028
1,463,964	21/05/2014	0.0266	$ 38,941
1,351,352	21/05/2014	0.0266	$ 35,946
1,689,189	21/05/2014	0.0266	$ 44,932
1,737,968	21/06/2014	0.0224	$ 38,930
1,604,278	21/06/2014	0.0224	$ 35,936
2,005,348	21/06/2014	0.0224	$ 44,920
1,923,077	21/07/2014	0.0203	$ 39,038
1,775,148	21/07/2014	0.0203	$ 36,036
2,218,935	21/07/2014	0.0203	$ 45,044
2,006,173	20/08/2014	0.0194	$ 38,920
1,851,852	20/08/2014	0.0194	$ 35,926
2,314,815	20/08/2014	0.0194	$ 44,907
716,912	19/11/2014	0.0163	$ 11,686
661,764	19/11/2014	0.0163	$ 10,787
716,912	20/12/2014	0.0163	$ 11,686
661,764	20/12/2014	0.0163	$ 10,787
430,147	19/01/2015	0.0163	$ 7,011
397,059	19/01/2015	0.0163	$ 6,472
430,147	18/02/2015	0.0163	$ 7,011
397,059	18/02/2015	0.0163	$ 6,472
479,508	21/03/2015	0.0146	$ 7,001
442,623	21/03/2015	0.0146	$ 6,462
457,031	20/04/2015	0.0154	$ 7,038
421,874	20/04/2015	0.0154	$ 6,497
6,774,444	6/06/2015	0.0162	$ 109,746
6,253,333	6/06/2015	0.0162	$ 101,304
7,816,667	6/06/2015	0.0162	$ 126,630
5,000,000	6/05/2014	0.0154	$ 77,000
35,000,000	26/10/2016	0.0130	$ 455,000
15,000,000	26/10/2016	0.0130	$ 195,000
7,000,000	26/10/2016	0.0130	$ 91,000
20,000,000	26/10/2016	0.0377	$ 754,000
5,000,000	26/10/2016	0.0377	$ 188,500
14,800,000	7/08/2017	0.0190	$ 281,200
198,419,220			$ 4,457,702

(c) Loan funded shares

In 2013 the Company established a Loan Funded Share Plan to support the achievement of the Company's business strategy by linking executive reward to improvements in the financial performance of the Company and aligning the interests of executives with shareholders. Under the Loan Funded Share Plan, loan funded shares may be offered to employees or consultant ("Participants") by the Remuneration and Audit Committee. The Company issues new ordinary shares, which are placed in a trust to hold the shares on behalf of the Participant. The trustee issues a limited-recourse, interest-free loan to the participant, which is equal to the number of shares multiplied by the issue price. A limited-recourse loan means that the repayment amount will be the lesser of the outstanding loan and the market value of the shares that are subject to the loan. The trustee continues to hold the shares on behalf of the Participant until all vesting conditions have been satisfied and the Participant chooses to settle the loan, at which point ownership of the shares is transferred from the trust to the Participant. Any dividends paid by the Company while the shares are held by the trust are applied as repayment of the loan at the after-tax value of the dividend. The directors may apply vesting conditions to be satisfied before the shares can be transferred to the Participant.

On 29 May 2013, 40 million shares were issued under the Loan Funded Share Plan to the Executive Chairman Richard Treagus, following approval by shareholders at the 2013 Annual General Meeting. The shares were issued at A$0.039 per share, which was the closing market price on the day of issue. These shares are subject to the following vesting conditions:

a. He is continuously a director of the Company for a period of three years commencing on the day on which the directors resolved to issue the Loan Funded Shares ("Issue Date") and finishing on the third anniversary of the issue date (or such other date on which the directors make a determination as to whether the vesting conditions have been met) (the "Vesting Period"); and
b. 50% of the Loan Funded Shares shall each vest where the following performance conditions are met:
    i. The Total Shareholder Return (TSR) on the Company's ASX-listed ordinary shares equals or exceeds 75% over the Vesting Period. The TSR is calculated using the average closing share price over the period of 30 consecutive trading days concluding on the Issue Date and the average closing share price over the period of 30 consecutive trading days concluding on the date on which the Vesting Period ends; and
    ii. Within the Vesting Period, either:
        1. The Company determines to progress a product candidate to a Phase 2b or Phase 3 clinical trial following a positive Phase 2 clinical trial outcome and a national regulatory authority approves the initiation of such trial, or
        2. A material partnering or licensing transaction is concluded.

The estimated fair value determined using the Black-Scholes valuation model was NZ$0.033 per loan funded share. The significant inputs into the model were an issue date share price of NZ$0.047, volatility of 119%, dividend yield of 0%, an expected option life of 3 years, and an annual risk-free interest rate of 2.50%. The expected price volatility was derived by analysing the historic volatility of the Company's shares since listing on the ASX.

On 18 September 2013, the directors resolved to issue under the Loan Funded Share Plan 20 million shares at A$0.092 per share to the Chief Financial Officer Jon Pilcher and 10 million shares at A$0.092 per share to the Chief Operating Officer James Shaw, subject to obtaining approval from shareholders at the 2014 Annual General Meeting. The issue price was the closing market price on the date of the resolution. After issue, these shares will be subject to the same performance conditions as the shares issued to Richard Treagus.

(d) Equity Performance Rights

Following approval by shareholders at the 2013 Annual General Meeting, on 29 May 2013 the Company issued 9,615,385 equity performance rights ("EPR") to Executive Chairman Richard Treagus, calculated as A$300,000 divided by A$0.0312, the average closing price of the listed ordinary shares of the Company over the five trading days immediately preceding 31 January 2013, which was the date of the directors' decision to appoint Dr Treagus. Subject to continuous service by Dr Treagus with the Company, each EPR vests three years from the date of appointment of Dr Treagus. When vested, the Company will issue at no cost one new ordinary share for each EPR exercised. The issued shares shall rank equally with the Company's other issued ordinary shares and Dr Treagus shall be free to deal with the issued shares in accordance with the Company's Securities Trading Policy. The EPR will vest automatically upon any effective change in control of the Company, control being when a person and their associates become the holder of greater than 50% of the ordinary share voting rights. Any unvested EPR will expire if Dr Treagus ceases to be a director of the Company.

The estimated fair value determined using the Black-Scholes valuation model was NZ$0.041 per EPR. The significant inputs into the model were a grant date share price of NZ$0.041, volatility of 121%, dividend yield of 0%, an expected option life of 3 years, and an annual risk-free interest rate of 2.59%. The expected price volatility was derived by analysing the historic volatility of the Company's shares since listing on the ASX.

On 18 September 2013, the directors resolved to issue, subject to approval by shareholders at the 2014 Annual General Meeting, 2,666,667 equity performance rights ("EPR") to Chief Financial Officer Jon Pilcher, calculated as A$100,000 divided by A$0.0375, the average closing price of the listed ordinary shares of the Company over the five trading days immediately preceding 14 May 2013, which was the date that Mr Pilcher accepted an offer of employment. After issue, the EPR will be subject to the same conditions as the EPRs issued to Richard Treagus.

On 18 September 2013, the directors resolved to issue, subject to approval by shareholders at the 2014 Annual General Meeting, 643,225 equity performance rights ("EPR") to Chief Operating Officer James Shaw, calculated as A$75,000 divided by A$0.1166, the average closing price of the listed ordinary shares of the Company over the five trading days immediately preceding 16 August 2013, which was the date that Mr Shaw accepted an offer of employment. After issue, the EPR will be subject to the same conditions as the EPRs issued to Richard Treagus.

13. Deferred tax

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Deferred tax asset (liability)				
Amounts recognised in profit or loss				
Provisions and accruals	9	496	9	30
Property, plant and equipment	-	4	-	4
Intangible assets	(787)	(958)	47	25
Tax losses	24,847	22,317	20,155	17,796
	24,069	21,859	20,211	17,855
Unrecognised deferred tax assets	(24,069)	(21,859)	(20,211)	(17,855)
Deferred tax asset (liability)	-	-	-	-
Movements				
Deferred tax asset (liability) at the beginning of the year	-	-	-	-
Credited (charged) to the income statement (note 5)	2,210	1,486	2,356	963
Effect of change in tax rates	-	-	-	-
Exchange differences	-	50	-	-
Change in unrecognised deferred tax assets	(2,210)	(1,536)	(2,356)	(963)
Deferred tax asset (liability) at the end of the year	-	-	-	-

The Inland Revenue of New Zealand is currently undertaking an audit of the Company's New Zealand tax returns covering the period from 1 January 2008 to 31 December 2011. The outcome of the audit is uncertain, but may impact the amount of the Parent unrecognised deferred tax assets shown in the above table.

The Company may not be able to generate future taxable profits in New Zealand to utilise the Parent unrecognised deferred tax assets shown in the above table.

14. Subsidiaries

(a) Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b).

Name of entity	Date of incorporation	Principle activities	Interest held	Domicile	Investment 2013 NZ$'000	Investment 2012 NZ$'000	Amount due to Parent 2013 NZ$'000	Amount due to Parent 2012 NZ$'000
AgVentures Limited	7-Oct-03	Dormant	100%	NZ	-	-	-	-
NeuroendocrinZ Limited	10-Jul-02	Dormant	100%	NZ	-	-	-	-
Neuren Pharmaceuticals Inc.	20-Aug-02	Development services	100%	USA	-	-	1,258	26
Hamilton Pharmaceuticals Inc.	2-Apr-04	Clinical research	100%	USA	4,201	4,201	826	778
	Less: Impairment loss and provision for doubtful debt:				(4,201)	-	(826)	-
Neuren Pharmaceuticals (Australia) Pty Ltd	9-Nov-06	Dormant	100%	Australia	-	-	-	-
Perseis Therapeutics Limited	25-Mar-09	Preclinical research	72.20%	NZ	56	56	836	673

An Impairment loss and a provision for doubtful debt were made against the full investment and amount receivable from Hamilton Pharmaceuticals Inc. following a review of the carrying value of the subsidiary's intellectual property relating to Motiva.

All subsidiaries have a balance date of 31 December, except Perseis Therapeutics which has a 31 March year end.

15. Commitments and contingencies

(a) Operating leases

The following aggregate future non-cancellable minimum lease payments for premises have been committed to by the Company, but not recognised in the financial statements. The Company's premises commitment is for a two years and six months lease commencing June 2013, with an option to renew for a further term of three years, and annual rental reviews throughout.

Consolidated and Parent	2013 NZ$'000	2012 NZ$'000
Not later than one year	63	83
Later than one year and not later than five years	58	218
Later than five years	-	-
	121	301

(b) Legal claims

The Company has no significant legal matter contingencies as at 31 December 2013.

(c) Capital commitments

The Company is not committed to the purchase of any property, plant or equipment as at 31 December 2013 (2012: nil).

(a) Key management personnel

The key management personnel include the directors of the Company and direct reports to the Executive Chairman. Compensation for this group was as follows:

Consolidated and Parent	2013 NZ$'000	2012 NZ$'000
Directors:		
Fees and other short term benefits	1,138	268
Accrued fees waived	-	(159)
Share based payment compensation	429	697
Management:		
Short-term benefits	885	1,298
Share based payment compensation	276	997
	2,728	3,101

(b) Subsidiaries

The ultimate parent company in the Group is Neuren Pharmaceuticals Limited ("Parent"). The Parent funds the activities of the subsidiaries throughout the year through the intercompany accounts as needed. Interests in and amounts due from subsidiaries are set out in note 14. All amounts due between entities in the Group are payable on demand and bear no interest. During the year ended 31 December 2013 the Parent charged Perseis Therapeutics $30,000 (2012: $45,600) for management, intellectual property and administrative services.

17. Events after balance date

As at the date of these financial statements there were no events arising since 31 December 2013 which require disclosure.

18. Financial instruments and risk management

(a) Categories of financial instruments

	Consolidated		Parent	
	2013 NZ$'000	2012 NZ$'000	2013 NZ$'000	2012 NZ$'000
Financial assets				
Cash and cash equivalents	26,475	6,477	26,374	6,450
Trade and other receivables	1,760	14	197	11
Total financial assets (loans and receivables classification)	28,235	6,491	26,571	6,461
Financial liabilities				
Amortised cost:				
Trade and other payables	2,239	2,676	1,517	1,387
Total financial liabilities	2,239	2,676	1,517	1,387

(b) Risk management

The Company and its subsidiaries are subject to a number of financial risks which arise as a result of its activities.

Currency risk

During the normal course of business the Company and its subsidiaries enter into contracts with overseas customers or suppliers or consultants that are denominated in foreign currency. As a result of these transactions there is exposure to fluctuations in foreign exchange rates. The Company also has a net investment in a foreign operation, whose net assets are exposed to foreign currency translation risk.

The principle currency risk faced by the business is the exchange rate between the Australian dollar and the US dollar. The majority of the Company's cash reserves are denominated in Australian dollars and the majority of its future expenditure is denominated in US dollars.

A foreign exchange loss of $1,593,000 is included in results for the year ended 31 December 2013 (2012: $179,000 loss). The majority of the loss relates to the revaluation for reporting purposes of the Company's Australian dollar denominated cash reserves into New Zealand dollars and the significant strengthening of the New Zealand dollar against the Australian dollar in the latter part of 2013. This does not represent a genuine business loss, since those cash reserves will not be converted to New Zealand dollars. Future expenditure denominated in New Zealand dollars is not expected to be material. The directors intend to change the Group's functional reporting currency to Australian dollars effective from 1 January 2014.

Where possible, the Group matches foreign currency income and expenditure as a natural hedge. When foreign currency expenditure exceeds revenue (such as US dollar expenditure), the group purchases foreign currency to meet future anticipated requirements under spot and forward contracts. This may result in the Group holding significant amounts of cash denominated in US dollars. The Group does not designate formal hedges. At 31 December 2013, one forward exchange contract to buy US$500,000 and sell A$530,110 (at an exchange rate of 0.9432) was outstanding, with a settlement date of 8 January 2014.

The carrying amounts of foreign currency denominated assets and liabilities are as follows:

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Assets				
US dollars	6,498	3,645	3,766	805
Australian dollars	24,535	3,643	24,535	3,643
UK pounds	148	1	148	1
Liabilities				
US dollars	1,312	1,658	592	548
Australian dollars	159	233	159	166

The following table details the Group's sensitivity to a 10% increase and decrease in each of the currencies noted against the New Zealand dollar as at the reporting date.

	Consolidated		Parent	
	2013	2012	2013	2012
Decrease (increase) in loss after income tax	NZ$'000	NZ$'000	NZ$'000	NZ$'000
10% strengthening of NZ dollar against:				
US dollar	(138)	139	(288)	(23)
Australian dollar	(2,216)	(310)	(2,709)	(316)
UK pound	(13)	34	(13)	28
10% weakening of NZ dollar against:				
US dollar	169	(170)	352	29
Australian dollar	2,198	379	2,687	386
UK pound	16	(41)	16	(35)

Neuren Pharmaceuticals Limited

In the directors' opinion, the sensitivity analysis set out above is unrepresentative of the Group's future foreign exchange risk, because the functional reporting currency will change to Australian dollars from 1 January 2014.

Interest rate risk
The Company and the Group are exposed to interest rate risk as entities in the Group hold cash and cash equivalents.

The effective interest rates on financial assets are as follows:

	Consolidated		Parent	
	2013	2012	2013	2012
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Financial assets				
Cash and cash equivalents				
New Zealand dollar cash deposits	208	2,796	206	2,796
New Zealand dollar interest rate	3.00%	3.00%	3.00%	3.00%
US dollar cash deposits	1051	13	952	-
US dollar interest rate	0.01%	0.10%	0.01%	0.10%
Australian dollar cash deposits	25,068	3,616	25,068	3,616
Australian dollar interest rate	3.50%	2.50%	3.50%	2.50%
Sterling cash deposits	148	-	148	-
Sterling interest rate	0.00%	0.00%	0.00%	0.00%

The Company and Group do not have any interest bearing financial liabilities. Trade and other receivables and payables do not bear interest and are not interest rate sensitive.

The Australian dollar denominated cash deposits mainly derived from new capital raised in October 2013. Therefore a 10% change in average market interest rates would not have had a material effect on the reported loss after tax for 2013. However, if the cash reserves at 31 December 2013 had been held throughout 2013, a 10% change in average market interest rates would have changed reported profit after tax by approximately NZ$0.1 million.

Credit risk
The Company and its subsidiaries incur credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The credit risk on financial assets of the Group, which have been recognised in the statement of financial position, is the carrying amount, net of any allowance for doubtful debts. At 31 December 2013, NZ$1.6m was receivable from the US government (2012: nil).

The Company and its subsidiaries do not require any collateral or security to support transactions with financial institutions. The counterparties used for banking and finance activities are financial institutions with high credit ratings.

Liquidity risk
The Company and Group's financial liabilities, comprising trade and other payables, are generally repayable within 1 - 2 months, and are managed together with capital risk as noted below.

Capital risk
The Company manages its capital to ensure that constituent entities are able to meet their estimated commitments as they fall due. The capital structure of the group consists of cash and cash equivalents, and equity of the parent, comprising issued capital, reserves and accumulated deficit.

Independent Auditors' Report

to the shareholders of Neuren Pharmaceuticals Limited

Report on the Financial Statements

We have audited the financial statements of Neuren Pharmaceuticals Limited ("the Company") on pages 6 to 28, which comprise the statements of financial position as at 31 December 2013, the statements of comprehensive income and statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, Neuren Pharmaceuticals Limited or any of its subsidiaries.

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Opinion

In our opinion, the financial statements on pages 6 to 28:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 December 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants | Auckland
26 February 2014

Additional Information

Equity Securities Held by Directors as at 7 February 2014						
	Interests in		Interests in		Interests in	
	Ordinary Shares		Options		Equity Performance Rights	
Director	Direct	Indirect	Direct	Indirect	Direct	Indirect
Richard Treagus	-	40,000,000	-	-	9,615,385	-
Larry Glass	-	-	55,000,000	-	-	-
Bruce Hancox	-	-	-	-	-	-
Trevor Scott	-	50,118,249	20,000,000	-	-	-

Australian Stock Exchange Disclosures

Neuren Pharmaceuticals Limited is incorporated in New Zealand under the Companies Act 1993.

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act, Australia, dealing with the acquisition of shares (such as substantial holdings and takeovers).

Limitations on the acquisition of shares are imposed by the following New Zealand legislation: Companies Act 1993, Securities Act 1978, Securities Amendment Act 1988, Takeovers Act 1993, Overseas Investment Act 1973, Commerce Act 1986 and various regulations and codes promulgated under such Acts.

Corporations Act, Australia - Directors' declaration

The Directors of Neuren Pharmaceuticals Limited ("Neuren") declare that:

1. The financial statements on pages 6 to 28 of Neuren and its subsidiaries for the year ended 31 December 2013 and the notes to those financial statements:
   (a) comply with the accounting standards issued by the Institute of Chartered Accountants of New Zealand; and
   (b) give a true and fair view of the financial position as at 31 December 2013 and of the performance for the year ended on that date of Neuren and its subsidiaries.
2. In the Directors' opinion there are reasonable grounds to believe that Neuren will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated 26 February 2014.

On behalf of the Board

Dr Richard Treagus
Chairman

Dr Trevor Scott
Director