

NeuronZ Limited

Annual Report & Financial Statements

For the Year Ended 31 December 2003

NeuronZ Limited

Annual Report & Financial Statements

For the Year Ended 31 December 2003

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NeuronZ Limited

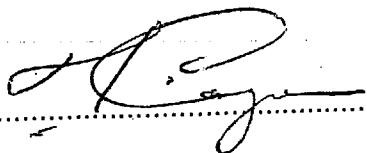
Annual Report

For the Year Ended 31 December 2003

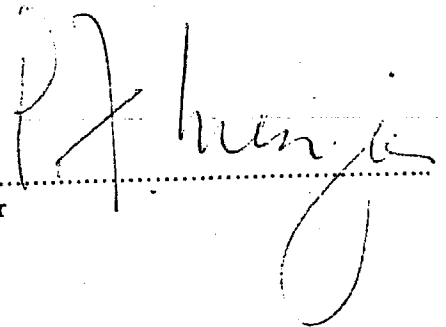
The Board of Directors is pleased to present the annual report of NeuronZ Limited which includes all information required to be disclosed under the Companies Act 1993, incorporating the financial statements and auditors' report, for the year ended 31 December 2003.

The annual report presented on pages 1 to 3 and the financial statements presented on pages 6 to 19 are signed for and on behalf of the Board and were authorised for issue on the date below.

.....
Chairman



.....
Director



.....
Date

31 May 2004

NeuronZ Limited

Annual Report

For the Year Ended 31 December 2003

Principal Activities

NeuronZ Limited is a bioscience Company operating solely within New Zealand whose principal business activity was the discovery and development of medicines and devices for the preservation, treatment and monitoring of neuronal function, following acute ischemic and traumatic injury and in neurodegenerative disease.

Subsequent to balance date, the assets, liabilities and business of the Company were sold as a going concern to a related party, EndocrinZ Limited.

Performance Overview

During the year, the Company has continued to streamline its core scientific and commercial operations.

The operating deficit for the year was \$864,000 (2002: deficit of \$2,221,000). The detailed financial statements are presented on pages 6 to 19.

The net dilutive surplus / (deficit) per share of nil (2002: deficit of \$0.43) is based on 10,000,000 (2002: 2,500,000) weighted average number of Shares outstanding.

No dividends were paid in the year (2002: nil).

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 as at 31 December 2003 are as follows:

Mr P Menzies

Mr Menzies has a relevant interest in 1,500,000 Series A Preference Shares as at 31 December 2003 in his capacity as director.

Dr R L Congreve

Dr Congreve has a relevant interest in 1,750,000 Series A Preference Shares as at 31 December 2003 in his capacity as director.

Hon J McLay

Hon J McLay has a relevant interest in 2,000,000 Series A Preference Shares as at 31 December 2003 in his capacity as director.

NeuronZ Limited

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For the Year Ended 31 December 2003

Dr P C Strange

Dr Strange has a relevant interest in 2,219,000 Ordinary Shares as at 31 December 2003 in his capacity as director.

There are no other matters registered by the directors which are considered to cause any potential conflict of interest as at 31 December 2003.

Directors and remuneration	Other Remuneration 2003 \$'000	Other Remuneration 2002 \$'000
R L Congreve (Chairman)	-	-
J Balter (Resigned May 2002)	-	332
P D Gluckman (Resigned March 2002)	-	372
P C Strange	-	-
J McLay	-	-
P Hanley (Appointed August 2002, Resigned 30 June 2003)	-	-
P F Menzies (Appointed May 2002)	-	-

No directors received any fees for holding office.

Employees and remuneration

The number of employees in the Company receiving remuneration and benefits above \$100,000 per annum are as follows:

	2003	2002
\$100,000 – 109,999	-	1
\$160,000 – 179,999	-	1
\$180,000 – 189,999	-	1
\$340,000 – 349,999	-	1

Donations

The Company made no donations (2002: Nil) during the year.

Auditors

PricewaterhouseCoopers are the auditors of the Company. Audit fees are \$10,000 (2002: \$10,000). During 2003 PricewaterhouseCoopers also received \$8,000 (2002: \$8,000) in relation to other financial advice.

Auditors' Report

To the shareholders of NeuronZ Limited

We have audited the financial statements on pages 6 to 19. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 31 December 2003 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 10 to 13.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2003 and its financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisers.

Auditors' Report
NeuronZ Limited

Emphasis of matter

In forming our unqualified opinion, we have considered the cessation and sale of the companies research and development operations subsequent to balance date and the adoption of the going concern concept as detailed in the Statement of Accounting Policies on page 10 and in Note 14, Events After Balance Date, and in Note 12, Going Concern, both on page 19.

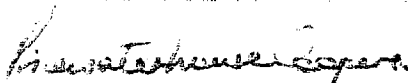
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 6 to 19:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Company as at 31 December 2003 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 31 May 2004 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

NeuronZ Limited

Statement of Financial Performance

For the Year Ended 31 December 2003

	Notes	2003 \$'000	2002 \$'000
Revenue:			
Research revenues		406	435
Sale of technology	11	490	6,700
Interest income		59	45
Total revenue		<u>955</u>	<u>7,180</u>
Operating expenses:			
Research		3,196	9,197
Finance and administration		1,865	3,756
Foreign exchange variance		(3,242)	(3,552)
		<u>1,819</u>	<u>9,401</u>
Operating deficit before taxation	2	(864)	(2,221)
Income tax	3	-	-
Net Deficit		<u>(864)</u>	<u>(2,221)</u>
Net Deficit per share:			
Basic	1	(\$0.35)	(\$0.89)
Diluted	1	Nil	(\$0.43)
Weighted average number of shares outstanding:			
Basic	1	2,500,000	2,500,000
Diluted	1	<u>10,000,000</u>	<u>2,500,000</u>

NeuronZ Limited

Statement of Movements in Equity

For the Year Ended 31 December 2003

	Number of Shares	Paid up capital	Accum Deficit	Total
<u>Shareholders' equity / deficit as at 1 January 2002</u>		\$'000	\$'000	\$'000
Total shareholders' equity / deficit – opening	2,500,000	1,519	(13,151)	(11,632)
Net deficit 2002			(2,221)	(2,221)
<u>Shareholders' equity/ deficit as at 31 December 2002</u>				
Total shareholders' equity / (deficit) – closing	2,500,000	1,519	(15,372)	(13,853)
<u>Shareholders' equity / deficit as at 1 January 2003</u>				
Total shareholders' equity / deficit – opening	2,500,000	1,519	(15,372)	(13,853)
Net deficit 2003			(864)	(864)
<u>Shareholders' equity / deficit as at 31 December 2003</u>				
Total shareholders' equity / (deficit) – closing	2,500,000	1,519	(16,236)	(14,717)

NeuronZ Limited

Statement of Financial Position

As at 31 December 2003

	Notes	2003 \$'000	2002 \$'000
ASSETS			
Current assets:			
Cash and cash equivalents	5	116	1,928
Accounts receivable		16	180
Other current assets		39	364
Plant and equipment, net	6	525	-
Total current assets		<u>696</u>	<u>2,472</u>
Non-current assets:			
Plant and equipment, net	6	-	860
Total non-current assets		<u>-</u>	<u>860</u>
Total assets		<u>696</u>	<u>3,332</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities	7	1,179	1,509
Amounts owed to a related party	11	110	-
Convertible note	8	400	-
Total current liabilities		<u>1,689</u>	<u>1,509</u>
Non-current liabilities:			
Long term debt	9	13,724	15,676
Total liabilities		<u>15,413</u>	<u>17,185</u>
SHAREHOLDERS' DEFICIT			
Paid in capital	4	1,519	1,519
Accumulated deficit		<u>(16,236)</u>	<u>(15,372)</u>
Total shareholders' deficit		<u>(14,717)</u>	<u>(13,853)</u>
Total liabilities and shareholders' deficit		<u>696</u>	<u>3,332</u>

NeuronZ Limited

Statement of Cashflows

For the Year Ended 31 December 2003

	2003 \$'000	2002 \$'000
Cashflows (to)/from operating activities:		
Receipts from grants	324	271
Receipts from customers	260	256
Receipts from sale of technology	490	6,700
Interest received	55	43
Net goods and services (paid) / received	(108)	1
Payments to suppliers	(1,780)	(8,625)
Payments to employees	(1,581)	(2,641)
Series A Preference Shares financing costs	(10)	(176)
	<hr/>	<hr/>
Net cash used in operating activities	(2,350)	(4,171)
Cashflows to investing activities:		
Purchase of plant and equipment	(98)	(435)
	<hr/>	<hr/>
Net cash used in investing activities	(98)	(435)
Cashflows from financing activities:		
Convertible note	8 400	-
Issue of Series A Preference Shares	9 258	2,802
	<hr/>	<hr/>
Net cash provided from financing activities	658	2,802
Net decrease in cash	(1,790)	(1,804)
Cash at the beginning of the year	1,928	3,773
Effect of exchange rate changes on cash	(22)	(41)
	<hr/>	<hr/>
Cash at end of the year	116	1,928
Reconciliation with net deficit:		
Net deficit	(864)	(2,221)
Non-cash items requiring adjustment:		
Depreciation	406	487
Interest on Preference Shares	1,019	1,135
Foreign exchange (gain)	(3,242)	(3,552)
Changes in working capital:		
Accounts receivable	149	(180)
Other debtors and prepaid expenses	312	127
Accounts payable and accruals	(130)	33
	<hr/>	<hr/>
Net cash used in operating activities	(2,350)	(4,171)

NeuronZ Limited

Statement of Accounting Policies

For the Year Ended 31 December 2003

Intellectual property

Costs in relation to protection and maintenance of intellectual property are expensed as incurred.

Taxation

The tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and tax income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised. No tax asset is recognised in the financial statements for the year ended 31 December 2003.

Asset carrying values

The Company has reviewed the carrying value of assets held at 31 December 2003 so that they are recorded at the lower of historical cost (adjusted for depreciation or amortisation) and their expected net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits held with established financial institutions and highly liquid investments, which are readily convertible into cash and have maturities of three months or less.

Accounts receivable

Accounts receivable are carried at estimated realisable value after providing against debts where collection is doubtful.

Plant and equipment

Property, plant and equipment have historically been recorded at cost. Depreciation is determined principally on a straight-line basis for plant, equipment and office furniture and fittings, based upon the following estimated useful lives:

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

Repairs and maintenance and gains and losses on sale or disposal of assets are reflected in the statement of financial performance as incurred. Major renewals and betterments are capitalised.

NeuronZ Limited

Statement of Accounting Policies

For the Year Ended 31 December 2003

Employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees.

The liability for employee entitlements is carried at the present value of the estimated future cash outflow.

Financing 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. Costs associated with the issue of Redeemable Preference Shares which are recognised within non-current liabilities on the balance sheet are expensed in the period accrued.

Financial instruments

Financial instruments recognised in the statement of financial position include cash and cash equivalents, accounts receivable, accounts payable and Redeemable Preference Shares. With the exception of the Redeemable Preference Shares, the Company believes that the amounts reported for financing instruments approximate fair value due to their short term nature (refer note 9 regarding Redeemable Preference Shares). There are no unrecognised financial instruments. The Company does not undertake hedging activities or utilise derivative financial instruments.

The Company has no exposure to credit risk. The Company is exposed to market fluctuations in the USD rate with respect to the Redeemable Preference Shares liabilities disclosed in note 9 to the accounts.

Statement of cashflows

Operating cashflows include all transactions and other events that are not investing or financing activities. Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, and investments. Financing activities are those that result in changes in the size and composition of the capital structure disclosed within equity or long term debt.

Changes in accounting policies

There have been no changes in accounting policies during the year.

NeuronZ Limited

Notes to the Financial Statements

For the Year Ended 31 December 2003

1. Net deficit per share

Basic net surplus / (deficit) per share has been based upon the weighted average number of outstanding Ordinary Shares. For the year ended 31 December 2003, the Company's potentially dilutive common share equivalents being the Redeemable Preference Shares (refer note 9) have been used in determining the total weighted average number of common Shares outstanding for the purpose of calculating diluted net surplus / (deficit) per share. For the year ended 31 December 2002, the dilutive common share equivalents being the Redeemable Preference Shares (refer note 9) have an anti-dilutive effect on net deficit per share and, therefore, have not been used in determining the total weighted average number of common Shares outstanding for the purpose of calculating diluted net surplus / (deficit) per share.

The following table sets forth the computation of basic and diluted net surplus / (deficit) per share:

	2003 \$'000	2002 \$'000
Basic:		
Unadjusted Net deficit	(864)	(2,221)
Weighted Average Shares Outstanding:	2,500,000	2,500,000
Net surplus / (deficit) per share	(\$0.35)	(\$0.89)
Diluted:		
Unadjusted Net deficit	(864)	(2,221)
Add: Preference Share interest	1,019	1,134
Adjusted net surplus / (deficit)	155	(1,087)
Weighted Average Shares Outstanding:	10,000,000	2,500,000
Net surplus / (deficit) per share	Nil	(\$0.43)

2. Operating deficit

	2003 \$'000	2002 \$'000
Operating deficit for continuing activities is stated after charging:		
Directors fees	-	-
Audit fees	10	10
Other fees paid to auditor	8	8
Depreciation		
Scientific Equipment	261	240
Computer Equipment	97	201
Office furniture, fixtures & fittings	38	35
Leasehold Improvements	10	11
Total Depreciation	406	487
Preference Shares interest	1,019	1,134
Net gain / (loss) on foreign currency translations	3,242	3,552
Rent expense	130	292
	2003	2002
Operating deficit for discontinued activities is stated after charging:	\$'000	\$'000
Costs incurred in relation to sale of technology	-	3,296

NeuronZ Limited

Notes to the Financial Statements

For the Year Ended 31 December 2003

3. Income Tax

The Company had total recognised income tax losses carried forward from 2002 of \$ 10,390,000 (2001: \$7,400,000) with a tax effect of \$ 3,429,000 (2001: \$2,450,000).

In addition, the Company has an estimated income tax loss of \$2,351,000 in 2003 (2002: \$2,502,000 estimated loss) with a tax effect of \$776,000 (2002: \$825,000) to be carried forward subject to the requirements of income tax legislation being met and the Company maintaining shareholder continuity.

	2003 \$'000	2002 \$'000
Net Deficit per accounts	(864)	(2,221)
Timing Differences not recognised		
Depreciation	106	162
Holiday pay provision	75	-
Permanent Differences		
Legal fees non deductible	60	573
Unrealised FX on Preference Shares	(3,242)	(3,224)
Interest on Preference Shares	1,019	1,134
Patent costs non deductible	478	813
Capital expenses non deductible	10	241
Other differences	7	20
Income tax loss in year	(2,351)	(2,502)
Tax loss not recognised	2,351	2,502
Tax at 33 %	-	-

The Company has not recognised any deferred taxation due arising from timing differences to the existence of tax losses. The tax effect of total timing differences not recognised at 31 December 2003 is \$35,000 (2002: \$53,000). There are no imputation credits as there have been no taxes paid.

4. Share capital

	2003 \$'000	2002 \$'000
Ordinary Shares		
Balance at beginning of year	1,519	1,519
Balance at end of year	1,519	1,519
Total Share Capital	1,519	1,519

As at 31 December 2003 there were 2,500,000 (2002: 2,500,000) Ordinary Shares issued and fully paid. All Ordinary Shares rank equally as to dividends and liquidation with one vote each attached to each fully paid Ordinary Share.

NeuronZ Limited

Notes to the Financial Statements

For the Year Ended 31 December 2003

5. Cash and cash equivalents

	2003 \$'000	2002 \$'000
Cash and cash equivalents consists of the following:		
Cash	116	81
Demand deposits	-	1,847
	<u>116</u>	<u>1,928</u>

A foreign exchange loss of \$22,000 (2002: \$41,000) on US dollar denominated bank accounts was recorded in the operating deficit for the year ended 31 December 2003.

6. Plant and equipment

	2003 \$'000	2002 \$'000
Plant and equipment consist of the following:		
Cost:		
Scientific equipment	1,056	1,002
Computer equipment	474	467
Office furniture, fixtures & fittings	153	151
Leasehold improvements	51	43
	<u>1,734</u>	<u>1,663</u>
Less accumulated depreciation:		
Scientific equipment	624	365
Computer equipment	452	355
Office furniture, fixtures & fittings	102	63
Leasehold improvements	31	20
	<u>1,209</u>	<u>803</u>
Plant and equipment, net book value	<u>525</u>	<u>860</u>

Subsequent to balance date, all plant and equipment have been sold to a related party at net book value (refer note 14). Consequently, for the year ended 31 December 2003, plant and equipment has been disclosed within current assets on the balance sheet.

7. Accounts payable and accrued liabilities

	2003 \$'000	2002 \$'000
Accounts payable and accrued liabilities consist of the following:		
Trade accounts payable	615	1,102
Employee related payables	149	79
Other accruals	415	328
	<u>1,179</u>	<u>1,509</u>

NeuronZ Limited

Notes to the Financial Statements

For the Year Ended 31 December 2003

8. Convertible note

During 2003, EndocrinZ Limited invested in NeuronZ Limited by way of NZ\$2 convertible notes. The convertible notes were issued on the basis that they may convert into new Series B Preference Shares in NeuronZ Limited or be repaid in cash on or before 31 December 2004. The convertible notes are unsecured with interest of 13.5 % p.a. payable in the event that the convertible notes are repaid.

If the convertible notes are converted, EndocrinZ Limited has the right to convert each convertible note into 3 new Series B Preference Shares in NeuronZ Limited.

As a result of the purchase of the assets, liabilities and business as a going concern of NeuronZ Limited by EndocrinZ Limited on 21 May 2004, (refer note 14) the convertible note has effectively been transferred to EndocrinZ Limited. No interest has therefore been accrued for as at 31 December 2003.

9. Long term debt

	2003 S'000	2002 S'000
Series A Preference Shares issued	11,364	13,863
Cumulative Accrued Series A Preference Share interest	2,360	1,813
	<u>13,724</u>	<u>15,676</u>

On 17 June 2003 the Company issued 150,000 Redeemable, convertible Series A Preference Shares (" Preference Shares ") respectively at a subscription price of US\$1 per share.

The Preference Shares carry the right to receive cumulative interest of 8% of the issue price per annum, are convertible into the same number of Ordinary Shares at any time by the shareholder and also on the occurrence of the closing of a Qualified Public Offering or by a majority resolution of the Preference Shareholders. Each Preference Share carries one vote and ranks ahead of Ordinary Shares for the amount paid up and any accrued and unpaid dividends if the Company is wound up. Thereafter, each Preference Share ranks pari passu with the Ordinary Shares. Preference Shares must be redeemed six years after issue if they have not been converted to Ordinary Shares before that time. Accordingly, they are of the nature of debt rather than equity.

As at 31 December 2003 there were 7,500,000 Shares on issue with the following redemption dates:

24 July 2006	3,000,000 Shares
17 July 2007	1,400,000 Shares
16 July 2007	800,000 Shares
24 December 2007	800,000 Shares
6 June 2008	950,000 Shares
29 August 2008	400,000 Shares
17 June 2009	150,000 Shares

All Shares have a redemption value of US\$1 per share plus accrued but unpaid interest.

On issue the Preference Shares have been translated at the current NZ\$ rate and have been classified within non-current liabilities as disclosed above in accordance with current NZ GAAP and IAS. The US\$ liability created has been translated as at 31 December 2003 with the total foreign exchange gain of NZ\$3,231,000 (2002: Gain of NZ\$3,224,000) disclosed within the operating deficit for the year.

NeuronZ Limited

Notes to the Financial Statements

For the Year Ended 31 December 2003

9. Long term debt (continued)

The 8% Preference Share interest has been accrued for up to 31 December 2003 and is disclosed as Preference Share Interest within the operating deficit for the year.

For the year ended 31 December 2003, the directors believe the monetary value of the Preference Shares and associated interest to be a prudent estimate of the fair value of the financial instrument due to the intellectual property held by the Company and subsequent to the year end held indirectly by the Company.

10. Commitments and contingencies

Operating leases

The following amounts for the lease of premises have been committed to by the Company, but not recognised in the financial statements.

	2003 \$'000	2002 \$'000
Non cancellable operating lease commitments:		
Within one year	313	313
One to two years	313	313
Two to five years	286	599
	<u>912</u>	<u>1,225</u>

On 21 May 2004, the Company sold its assets, liabilities and business as a going concern under a sale and purchase agreement to EndocrinZ Limited (refer note 14). Consequently, the Company has no cash flow obligations post 21 May 2004.

Legal claims

The Company has not entered into any collaborative arrangements and has no other significant legal contingencies as at 31 December 2003. (2002 : None)

Capital commitments

The Company has no capital commitments as at 31 December 2003. (2002: None)

11. Related party transactions

Auckland UniServices Limited is a related party of NeuronZ Limited due to its holding of Ordinary Shares. During the year goods and services were recharged to NeuronZ Limited by Auckland Uniservices Limited at a net value of NZ\$1.3M (2002: NZ\$2.4M) on commercial, contractually agreed terms. As at 31 December 2003 NZ\$0.4M (2002: NZ\$0.6M) was outstanding and included within trade accounts payable in note 7 to the accounts.

EndocrinZ Limited is a related party of NeuronZ Limited for the reporting period. During the year, NeuronZ Limited provided scientific, management, accounting and administrative services to EndocrinZ Limited on commercially agreed terms at a net value of NZ\$1.0M. During the year, the Company received NZ\$0.4M as a technology access fee for the sale of certain technology and a further NZ\$90,000 of technology related payments.

Professor P D Gluckman (direct shareholder and former director, resigned March 2002) is a related party of NeuronZ Limited for the reporting period. During the year Professor P D Gluckman received consultancy fees of NZ\$32,000 (2002: \$0.4M) for science and management services provided.

NeuronZ Limited

Notes to the Financial Statements

For the Year Ended 31 December 2003

11. Related party transactions (continued)

As at 31 December 2003 NZ\$10,000 (2002: NZ\$169,000) was outstanding to Professor P D Gluckman. This amount is included within other trade creditors in note 7 to the accounts.

On 21 May 2004, the Company sold its assets, liabilities and business as a going concern under a sale and purchase agreement to EndocrinZ Limited (refer note 14).

EndocrinZ Limited had entered into a convertible note arrangement with NeuronZ Limited during the year. As at 31 December 2003 NZ\$0.4M was outstanding under the terms of the convertible note (refer to note 8).

During the year payments for certain goods and services were made by EndocrinZ Limited on behalf of NeuronZ Limited. As at 31 December 2003 NZ\$110,000 was outstanding.

The Company has had no other significant transactions with related parties during the year. No debts have been written off or forgiven during the year (2002: None).

12. Going Concern

As stated in the Statement of Accounting Policies on page 10 and in the events after balance date note 14 below, the Company sold its assets, liabilities and business activities as a going concern to a related party, EndocrinZ Limited on 21 May 2004.

The going concern basis has been adopted in the preparation of these financial statements for the year ended 31 December 2003 as the Company will continue to exist as an investment Company.

The redeemable, convertible Series A Preference Shares (refer note 9) are eligible for redemption from 24 July 2006, unless they are converted to Ordinary Shares on the closing of a Qualified Public Offering or by a majority resolution of the Series A Preference Shareholders. The directors reasonably view the business as a going concern for the year ended 31 December 2003. The Company has no other cash flow obligations post 21 May 2004.

13. Employee share ownership plans

The Board is committed in assisting employees to have an ownership stake in the Company.

Up to 2,500,000 Shares, which have yet to be issued and are of varying classes, have nominally been set aside to be allocated to staff under employee share ownership plans. Of this amount, 1,948,000 Shares have been nominally allocated to certain staff.

As at 31 December 2003 the share option plans had not been formalised.

14. Events after balance date

In the period to 21 May 2004, the Company has utilised the convertible note (refer note 8) from EndocrinZ Limited to support operations and received extended terms of credit from certain major suppliers.

On 21 May 2004, the Company sold its assets, liabilities and business as a going concern under a sale and purchase agreement. The consideration for the sale of the business and assets of NeuronZ Limited being the issue by EndocrinZ Limited to NeuronZ Limited of 16,276,939 new Ordinary Shares credited as fully paid up and ranking equally with the existing Ordinary Shares of EndocrinZ Limited. The gain on sale will be at least the amount of the net current liabilities transferred.

The Company has no other cash flow obligations post 21 May 2004.

NeuronZ Limited

Directory

As at 31 December 2003

Registered office

Level 3
2-6 Park Avenue
Grafton
Auckland

Solicitors

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