Rule 4.3A

Appendix 4E

Neuren Pharmaceuticals Limited
ARBN 111 496 130

Preliminary final report
Financial year ended 31 December 2014

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 2014 together with comparative results for the year ended 31 December 2013.

All amounts shown are in Australian dollars unless otherwise stated.

2. Results for announcement to the market

	2014 $'000	2013 $'000	Increase/(Decrease) $'000	% Change
2.1 Operating Revenue	4,368	4,978	(610)	(12%)
2.2 Loss after Tax attributable to equity holders	(8,297)	(10,436)	2,139	20%
2.3 Net Loss attributable to equity holders	(8,297)	(10,436)	2,139	20%
2.4 Dividends	N/A	N/A	N/A	N/A

The consolidated net loss attributable to equity holders decreased by $2.1 million, mainly due to the following:

- An increase of $1.4 million in research and development costs, with higher costs for the Rett syndrome and Fragile X syndrome clinical trials partly offset by lower costs for the Intrepid clinical trial; and
- A decrease of $1.9 million in grant revenue from the US government, reflecting the lower costs for the Intrepid trial; offset by
- An increase of $0.4 million in interest income due to higher cash balances following the share placement in October 2013;
- Foreign exchange gains of $0.9 million (2013: loss of $1.4 million), mainly due to an increase in value of US dollar denominated cash balances, following the strengthening of the US dollar against the Australian dollar; and
- A non-cash impairment loss in 2013 of $2.7 million following a review of the carrying value of the acquired intellectual property related to Motiva™.

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. Statement of Changes in Equity

Refer to attached Financial Statements.

7. 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.

8. Dividend or Distribution Reinvestment Plan

Not applicable.

9. Net Tangible Assets per Security

	31 December 2014 $	31 December 2013 $
Net tangible assets per security	$0.012	$0.016

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 2014.

Neuren Pharmaceuticals Limited

Financial Report and Directors' Report for the year ended 31 December 2014

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 2014 Neuren made significant progress on the development of NNZ-2566 for Rett syndrome, Fragile X syndrome moderate to severe traumatic brain injury and mild traumatic brain injury (concussion). Key developments in the business included:

- Top-line results from the Phase 2 clinical trial in Rett syndrome successfully demonstrated clinical benefit from treatment with NNZ-2566;
- Applications were submitted to the US Food and Drug Administration (FDA) for Orphan Drug designation and Breakthrough Therapy designation for NNZ-2566 in Rett syndrome;
- A Phase 2 clinical trial of NNZ-2566 in Fragile X Syndrome commenced in the United States.
- A Phase 2 clinical trial of NNZ-2566 in concussion commenced with the US Army's 82nd Airborne Division at Fort Bragg in North Carolina, as a continuation of the collaboration between Neuren and the US Army on the development of potential therapies for traumatic brain injury;
- The grant award supporting Neuren's collaboration with the US Army was increased by approximately US$3 million and extended to 31 December 2015;
- Dr Clive Blower joined the leadership team as Vice-President: Product Development and Technical Affairs, supporting Neuren's strategy to optimise the technical attributes, manufacturing process and commercial product supply of NNZ-2566 as it progresses towards the final stages of development.

Effective 1 January 2014, the Company's functional currency and the Group's presentation currency changed from New Zealand dollars to Australian dollars. The change in functional currency resulted from the transfer of the Company's place of business from Auckland, New Zealand to Melbourne, Australia and it reflects the underlying transactions, events and conditions that are relevant to the Company.

The detailed financial statements are presented on pages 6 to 26. All amounts in the Financial Statements are shown in Australian dollars unless otherwise stated.

The Group's loss after tax attributable to equity holders of the Company for the year ended 31 December 2014 was $8,297,000 (2013: $10,436,000). The loss decreased by $2.1 million, mainly due to the following:

- An increase of $1.4 million in research and development costs, with higher costs for the Rett syndrome and Fragile X syndrome clinical trials partly offset by lower costs for the Intrepid clinical trial; and
- A decrease of $1.9 million in grant revenue from the US government, reflecting the lower costs for the Intrepid trial; offset by:
- An increase of $0.4 million in interest income due to higher cash balances following the share placement in October 2013;
- Foreign exchange gains of $0.9 million (2013: loss of $1.4 million), mainly due to an increase in value of the Group's US dollar denominated cash balances, following the strengthening of the US dollar against the Australian dollar; and
- A non-cash Impairment loss in 2013 of $2.7 million following a review of the carrying value of the acquired intellectual property related to Motiva™.

The net loss per share for 2014 was $0.005 (2013: $0.008) based on a weighted average number of shares outstanding of 1,552,481,203 (2013: 1,261,220,342).

Cash reserves at 31 December 2014 were $20.8 million (2013: $24.4 million). Net cash used in operating activities decreased from $7.1 million to $6.4 million, due to a reduction in payments for staff and directors. The exercise of share options provided net cash provided from financing activities of $2.2 million. In 2013, net cash provided from financing activities was $26.2 million, comprising $3.6 million from the exercise of share options and $23.5 million from a share placement and share purchase plan, less issue expenses of $0.9 million.

No dividends were paid in the year, or in the prior 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 has more than 30 years' experience in the life sciences industry, including clinical trials, basic and applied research, epidemiologic studies, diagnostics and pharmaceutical product development. 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 Glass is a biologist with additional graduate training in epidemiology and biostatistics.

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.

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 2014 are as follows:

Dr R Treagus
Dr Treagus disclosed directorships of QRx Pharma Limited and Biotech Capital Limited, each listed on the Australian Securities Exchange.

Mr Larry Glass
On 5 February 2015, Mr Glass acquired 20,000,000 shares, issued on the exercise of options to acquire ordinary shares in the Company, and sold 35,000,000 options to acquire ordinary shares in the Company. Mr Glass disclosed directorship of Microbial Defence Systems LLC, an unlisted company.

Mr B Hancox
Mr Hancox disclosed directorships of QRx Pharma Limited, listed on the Australian Securities Exchange and of Microbial Defence Systems LLC, an unlisted company.

Dr T D Scott
On 9 October 2014, Dr Scott acquired 20,000,000 shares, issued on the exercise of options to acquire 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	Share based payments	Remuneration	Share based payments
	2014	2014	2013	2013
	$'000	$'000	$'000	$'000
Dr Richard Treagus	370	475	435	341
Mr Larry Glass	405	-	419	93
Mr Bruce Hancox	50	-	31	-
Dr Trevor Scott	60	-	37	48
Dr Robin Congreve	-	-	16	(114)
Dr John Holaday	-	-	20	12
Dr Doug Wilson	-	-	8	(29)
Dr Graeme How ie	-	-	-	12

Executive Remuneration

The number of employees, not being directors of the Company, who received remuneration and benefits above NZ $100,000, shown in bands denominated in Australian dollars, was as follows:

Excluding shared based payments		
	2014	2013
	$'000	$'000
$90,000 - $99,999	1	1
$110,000 - $119,999	-	1
$120,000 - $129,999	-	1
$140,000 - $149,999	1	-
$180,000 - $189,999	-	1
$240,000 - $249,999	1	-
$250,000 - $259,999	-	1
$260,000 - $269,999	1	-
Including shared based payments		
	2014	2013
	$'000	$'000
$90,000 - $99,999	-	1
$110,000 - $119,999	-	1
$120,000 - $129,999	-	1
$140,000 - $149,999	1	-
$180,000 - $189,999	1	1
$250,000 - $259,999	-	1
$350,000 - $359,999	1	-
$460,000 - $469,999	1	-

Donations

The Company made donations of $2,255 during the year (2013: nil).

Auditors

PricewaterhouseCoopers are the auditors of the Company. Audit fees in relation to the annual and interim financial statements were $66,241 (2013: $48,102). PricewaterhouseCoopers did not receive any fees in relation to other financial advice and services (2013:$12,487).

For and on behalf of the Board of Directors who authorised the issue of these financial statements on

24 February 2015.

Dr Richard Treagus	Dr Trevor Scott
Chairman	Director

Financial Statements
for the year ended 31 December 2014

Neuren Pharmaceuticals Limited

for the year ended 31 December 2014

		Consolidated		Parent	
		2014	2013	2014	2013
			Restated		Restated
	Notes	$'000	$'000	$'000	$'000
Interest income		561	184	560	184
		561	184	560	184
Other income					
Grants		2,931	4,794	-	-
Foreign exchange gain		876	-	876	-
		3,807	4,794	876	-
Total income		4,368	4,978	1,436	184
Research and development costs[1]		(10,016)	(8,653)	(6,913)	(4,461)
Corporate and administrative costs[1]		(1,590)	(1,705)	(1,550)	(1,633)
Foreign exchange loss		-	(1,353)	-	(1,011)
Depreciation and amortisation expense	4	(100)	(395)	(98)	(88)
Share based payment expense		(947)	(657)	(947)	(657)
Impairment loss - Intangible assets	9	(31)	(2,685)	-	-
Impairment loss - Investments	13	-	-	(52)	(3,868)
Provision for doubtful debt	8	-	-	(901)	(761)
Loss before income tax		(8,316)	(10,470)	(9,025)	(12,295)
Income tax expense	5	-	-	-	-
Loss after income tax		**(8,316)**	**(10,470)**	**(9,025)**	**(12,295)**
Other comprehensive expense, net of tax					
Exchange differences on translation of foreign operations		(138)	(245)	-	-
Total comprehensive loss		(8,454)	(10,715)	(9,025)	(12,295)
Loss after income tax attributable to:					
Equity holders of the company		(8,297)	(10,436)	(9,025)	(12,295)
Non-controlling interest		(19)	(34)	-	-
		(8,316)	(10,470)	(9,025)	(12,295)
Total comprehensive loss attributable to:					
Equity holders of the company		(8,435)	(10,681)	(9,025)	(12,295)
Non-controlling interest		(19)	(34)	-	-
		(8,454)	(10,715)	(9,025)	(12,295)
Basic and diluted loss per share	6	$0.005	$0.008		

[1]In the consolidated and parent restated comparative numbers for 2013, expenditure of $418,378 has been reclassified from corporate and administrative costs to research and development costs in order to present information on a basis consistent with 2014.

The notes on pages 10 to 26 form part of these financial statements

Statements of Financial Position

as at 31 December 2014

		Consolidated			Parent		
		2014	2013	2012	2014	2013	2012
			Restated	Restated		Restated	Restated
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Current assets:							
Cash and cash equivalents	7	20,824	24,379	5,130	20,236	24,286	5,109
Trade and other receivables	8	963	1,664	130	1,231	2,153	1,205
Total current assets		21,787	26,043	5,260	21,467	26,439	6,314
Non-current assets:							
Property, plant and equipment		29	23	25	29	23	25
Intangible assets	9	290	394	3,185	290	361	375
Investments in subsidiaries	13	-	-	-	-	52	3,372
Total non-current assets		319	417	3,210	319	436	3,772
TOTAL ASSETS		22,106	26,460	8,470	21,786	26,875	10,086
LIABILITIES AND EQUITY							
Current liabilities:							
Trade and other payables	10	3,028	2,061	2,119	2,199	1,396	1,099
Lease incentive – short term		-	-	6	-	-	6
Total current liabilities		3,028	2,061	2,125	2,199	1,396	1,105
Non-current liabilities:							
Lease incentive – long term		-	-	13	-	-	13
Total liabilities		3,028	2,061	2,138	2,199	1,396	1,118
EQUITY							
Share capital	11	104,363	102,177	64,091	104,363	102,177	64,091
Other reserves		(916)	(1,725)	7,800	(260)	(1,207)	8,073
Accumulated deficit		(84,148)	(75,851)	(65,415)	(84,516)	(75,491)	(63,196)
Total Equity attributable to equity holders		19,299	24,601	6,476	19,587	25,479	8,968
Non-controlling interest in equity		(221)	(202)	(144)	-	-	-
Total Equity		19,078	24,399	6,332	19,587	25,479	8,968
TOTAL LIABILITIES AND EQUITY		22,106	26,460	8,470	21,786	26,875	10,086

The notes on pages 10 to 26 form part of these financial statements

Neuren Pharmaceuticals Limited

Statements of Changes in Equity

for the year ended 31 December 2014

Consolidated	Share Capital $'000	Share Option Reserve $'000	Currency Translation Reserve $'000	Accumulated Deficit $'000	Total Attributable to Equity Holders $'000	Minority Interest $'000	Total Equity $'000
Equity as at 1 January 2013 (restated)	64,091	8,073	(273)	(65,415)	6,476	(144)	6,332
Restatement due to change in presentation currency	11,916		(9,937)		1,979	(24)	1,955
Shares issued on option exercise	3,558				3,558		3,558
Shares issued in Share Purchase Plan	2,034				2,034		2,034
Shares issued in private placement	21,505				21,505		21,505
Share issue costs expensed	(927)				(927)		(927)
Share based payments		657			657		657
Comprehensive loss for the period			(245)	(10,436)	(10,681)	(34)	(10,715)
Equity as at 31 December 2013	102,177	8,730	(10,455)	(75,851)	24,601	(202)	24,399
Shares issued on option exercise	2,270				2,270		2,270
Share issue costs expensed	(84)				(84)		(84)
Share based payments		947			947		947
Comprehensive loss for the period			(138)	(8,297)	(8,435)	(19)	(8,454)
Equity as at 31 December 2014	104,363	9,677	(10,593)	(84,148)	19,299	(221)	19,078

Parent	Share Capital $'000	Share Option Reserve $'000	Currency Translation Reserve $'000	Accumulated Deficit $'000	Total Attributable to Equity Holders $'000
Equity as at 1 January 2013 (restated)	64,091	8,073		(63,196)	8,968
Restatement due to change in presentation currency	11,916		(9,937)		1,979
Shares issued on option exercise	3,558				3,558
Shares issued in Share Purchase Plan	2,034				2,034
Shares issued in private placement	21,505				21,505
Share issue costs expensed	(927)				(927)
Share based payments		657			657
Comprehensive loss for the period				(12,295)	(12,295)
Equity as at 31 December 2013	102,177	8,730	(9,937)	(75,491)	25,479
Shares issued on option exercise	2,270				2,270
Share issue costs expensed	(84)				(84)
Share based payments		947			947
Comprehensive loss for the period				(9,025)	(9,025)
Equity as at 31 December 2014	104,363	9,677	(9,937)	(84,516)	19,587

The notes on pages 10 to 26 form part of these financial statements

Statements of Cash Flows

for the year ended 31 December 2014

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash flows from operating activities:				
Receipts from grants	3,549	3,463	-	-
Interest received	569	130	568	130
GST refunded	194	51	194	51
Payments for employees and directors	(1,488)	(2,348)	(1,488)	(2,348)
Payments to other suppliers	(9,234)	(8,401)	(6,182)	(3,793)
Net cash used in operating activities	(6,410)	(7,105)	(6,908)	(5,960)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(34)	(16)	(34)	(16)
Purchase of intangible assets	(3)	-	(3)	-
Proceeds from sale of property, plant and equipment	3	2	3	2
Advance (to)/from subsidiaries	-	-	53	(1,226)
Net cash used in investing activities	(34)	(14)	19	(1,240)
Cash flows from financing activities:				
Proceeds from the issue of shares	-	23,539	-	23,539
Proceeds from the exercise of options	2,270	3,558	2,293	3,558
Payment of share issue expenses	(61)	(927)	(84)	(927)
Net cash provided from financing activities	2,209	26,170	2,209	26,170
Net (decrease) increase in cash	(4,235)	19,051	(4,680)	18,970
Effect of exchange rate changes on cash balances	680	198	630	207
Cash at the beginning of the year	24,379	5,130	24,286	5,109
Cash at the end of the year	20,824	24,379	20,236	24,286
Reconciliation with loss after income tax:				
Loss after income tax	(8,316)	(10,470)	(9,025)	(12,295)
Non-cash items requiring adjustment:				
Depreciation of property, plant and equipment	24	19	24	20
Amortisation of intangible assets	76	376	74	68
Impairment loss	31	2,685	52	3,868
Provision for doubtful debt	-	-	901	761
Share option compensation expense	947	657	947	657
Foreign exchange (gain) loss	(817)	1,240	(818)	1,042
Lease incentive recognition and amortisation	-	(20)	-	(20)
Changes in working capital:				
Trade and other receivables	746	(1,535)	134	(170)
Trade and other payables	899	(57)	803	109
Net cash used in operating activities	(6,410)	(7,105)	(6,908)	(5,960)

The notes on pages 10 to 26 form part of these financial statements

Notes to the Financial Statements
for the year ended 31 December 2014

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 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 24 February 2015.

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 and Group.

- 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 2014 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 2014 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 and Group to exercise its judgement in the process of applying the Company and Group'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
Change in functional and presentation currency
An entity's functional currency is the currency of the primary economic environment in which the entity operates.
Effective 1 January 2014, the functional currency of the Company changed from New Zealand dollars to Australian dollars. The change in functional currency resulted from the transfer of the Company's place of business from New Zealand to Australia and it reflects the underlying transactions, events and conditions that are relevant to the Company. The new functional currency has been applied prospectively from 1 January 2014, in accordance with IAS 21. Also effective 1 January 2014, the Group's presentation currency was changed from New Zealand dollars to Australian dollars. Prior period comparative numbers for the Company and Group in these financial statements have been restated in Australian dollars in order to provide meaningful comparable information.

To give effect to the change in functional currency, the assets, liabilities and equity of the Company in New Zealand dollars at 31 December 2013 were converted into Australian dollars on 1 January 2014 at a fixed exchange rate of A$1: NZ$1.086.

In order to derive comparatives, for the Company and Group, in the presentation currency of Australian dollars:

- the New Zealand dollar and US dollar functional currency assets and liabilities were converted into Australian dollars at the period end exchange rates. For 2013 these were A$1: NZ$1.086 and A$1: US$0.892 and for 2012 these were A$1: NZ$1.262 and A$1: US$1.038.
- revenue and expenses were converted at the average exchange rates for the reporting period. For 2013 these were A$1: NZ$1.177 and A$1:US$0.964.
- Items directly recognised in equity were translated using the period end exchange rates.

The loss per share for 2013 has also been restated in Australian dollars to reflect the change in the presentation currency (refer to Note 6).

Comparative information has been restated to apply the change in presentation currency from the earliest date practicable.

There have been no other significant changes in accounting policies in the year ended 31 December 2014.

New standards first applied in the period
The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is a Tier 1 entity. There was no impact on the current or prior year financial statements.

Other amendments to IFRSs effective for the financial year ending 31 December 2014 do not have a material impact on the group.

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 from 1 January 2018) addresses classification and measurement of financial assets and liabilities and is available for early adoption immediately. NZ IFRS 9 replaces the multiple classification and measurement models in IAS 39 'Financial Instruments: Recognition and Measurement' with a single model that has only two classification categories: amortised cost and fair value. The consolidated entity is assessing the potential impact of NZ IFRS 9 'Financial Instruments' on its financial statements.

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.

(b) Principles of Consolidation

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(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
Effective 1 January 2014, the functional currency of the Company and the presentation currency of the Group each changed from New Zealand dollars to Australian dollars. The new functional currency was applied prospectively from 1 January 2014, in accordance with IAS 21. Prior period comparative numbers for the Company and Group in these financial statements have been restated in Australian dollars in order to provide meaningful comparable information.

(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	2-10 years
Office furniture, fixtures & fittings	3-4 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 personal 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 and equipment finance. 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.

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.
Grant income was entirely received from the United States federal government.

4. Expenses

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Loss before income tax includes the following specific expenses:				
Depreciation – property, plant and equipment				
Computer equipment	(17)	(15)	(17)	(15)
Fixtures and fittings	(17)	-	(17)	-
Total depreciation	(34)	(15)	(34)	(15)
Amortisation – intangible assets				
Intellectual property	31	2,685	787	716
Software	-	-	7	4
Total amortisation	31	2,685	794	720
Remuneration of auditors (PwC)				
Audit and review of financial statements	66	48	66	48
Tax advisory services	-	12	-	12
Total remuneration of auditors	66	60	66	60
Employee benefits expense				
Salaries and wages - research & development	558	541	558	541
Salaries and wages - corporate & administration	391	368	391	368
Share based payment compensation	412	20	412	20
Total employee benefits expense	1,361	929	1,361	929
Directors' fees - research & development	405	419	405	419
Directors' fees - corporate & administration	480	547	480	547
Directors' share based payment compensation	475	363	475	363
Other share based payment compensation	60	274	60	274
Lease expense	115	116	115	116

5. Income tax

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'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	(8,316)	(10,470)	(9,025)	(12,295)
Tax at applicable rates	(2,495)	(3,223)	(2,708)	(3,443)
Tax effect of amounts not deductible in calculating taxable income:				
Share option compensation	284	202	284	184
Impairment loss	9	826	16	1,083
Provision for doubtful debt	-	-	270	213
	(2,202)	(2,195)	(2,138)	(1,963)
Subsidiary tax losses in prior years not recoverable	4,319	-	-	-
(Over) under provision in prior years	(497)	61	205	61
Deferred tax assets not recognised	(1,620)	2,134	1,933	1,902
Income tax expense	-	-	-	-

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 2014 and 2013, 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.

The Group has made a change in accounting policy that, as outlined in Note 2(a), resulted in a restatement of profit attributable to equity holders of the parent and earnings per share.

	Consolidated	
	2014	2013
	$'000	$'000
Loss after income tax attributable to equity holders	(8,297)	(10,436)
Weighted average shares outstanding (basic)	1,552,481,203	1,261,220,342
Weighted average shares outstanding (diluted)	1,552,481,203	1,261,220,342
Basic and diluted loss per share	($0.005)	($0.008)

7. Cash and cash equivalents

	Consolidated			Parent		
	2014	2013	2012	2014	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Cash	8,014	1,475	41	7,915	1,438	30
Demand and short-term deposits	12,810	22,904	5,089	12,321	22,848	5,079
	20,824	24,379	5,130	20,236	24,286	5,109

8. Trade and other receivables

	Consolidated			Parent		
	2014	2013	2012	2014	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	912	1,563	11	18	124	9
Interest receivable	51	58	-	51	58	-
Prepayments	-	43	119	-	43	26
Due from subsidiaries	-	-	-	2,063	2,689	1,170
Provision for doubtful debt	-	-	-	(901)	(761)	-
	963	1,664	130	1,231	2,153	1,205

In 2013 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.

In 2014 a provision was made against the full amount receivable from the subsidiary Perseis Therapeutics Limited of $833,000 following a review of the carrying value of the subsidiary's intellectual property. In addition a provision of $68,000 was made against the increase in the value of the amount receivable from Hamilton Pharmaceuticals Inc. receivable.

9. Intangible assets

Consolidated	Intellectual Property $'000	Acquired Software $'000	Total $'000
As at 1 January 2013			
Cost	5,214	6	5,220
Accumulated amortisation	(2,034)	(1)	(2,035)
Net book value	3,180	5	3,185
Movements in the year ended 31 December 2013			
Opening net book value	3,180	5	3,185
Restatement due to change in presentation currency	517	-	517
Amortisation	(374)	(2)	(376)
Impairment loss	(2,685)	-	(2,685)
Exchange differences	(247)	-	(247)
Closing net book value	391	3	394
As at 31 December 2013			
Cost	1,134	7	1,141
Accumulated amortisation	(743)	(4)	(747)
Net book value	391	3	394
Movements in the year ended 31 December 2014			
Opening net book value	391	3	394
Additions	-	3	3
Amortisation	(73)	(3)	(76)
Impairment loss	(31)	-	(31)
Closing net book value	287	3	290
As at 31 December 2014			
Cost	1,074	10	1,084
Accumulated amortisation	(787)	(7)	(794)
Net book value	287	3	290
Intellectual Property	**NNZ-2566**	**Motiva**	**TFF/hGH**
Opening net book value	358	-	33
Amortisation	(71)	-	(2)
Impairment loss	-	-	(31)
Closing net book value	287	-	-
Remaining amortisation period	4 years		

The impairment charge of approximately $31,000 in the period relates to the write down to nil recoverable value of the intellectual property owned by the subsidiary Perseis Therapeutics Limited.

9. Intangible assets (continued)

Parent	Intellectual Property $'000	Acquired Software $'000	Total $'000
As at 1 January 2013			
Cost	924	6	930
Accumulated amortisation	(554)	(1)	(555)
Net book value	370	5	375
Movements in the year ended 31 December 2013			
Opening net book value	370	5	375
Restatement due to change in presentation currency	55	-	55
Amortisation	(67)	(2)	(69)
Closing net book value	358	3	361
As at 31 December 2013			
Cost	1,074	7	1,081
Accumulated amortisation	(716)	(4)	(720)
Net book value	358	3	361
Movements in the year ended 31 December 2014			
Opening net book value	358	3	361
Additions	-	3	3
Amortisation	(71)	(3)	(74)
Closing net book value	287	3	290
As at 31 December 2014			
Cost	1,074	10	1,084
Accumulated amortisation	(787)	(7)	(794)
Net book value	287	3	290

10. Trade and other payables

	Consolidated			Parent		
	2014 $'000	2013 $'000	2012 $'000	2014 $'000	2013 $'000	2012 $'000
Trade payables	2,755	1,853	1,717	1,927	1,188	736
Accruals	135	109	285	134	109	246
Employee benefits	138	99	117	138	99	117
	3,028	2,061	2,119	2,199	1,396	1,099

11. Share Capital

Consolidated and Parent	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Issued share capital				
Ordinary shares on issue at beginning of year	1,512,528,963	1,182,786,570	102,177	64,091
Restatement on change in presentation currency				11,916
Shares issued in private placement	-	187,000,000	-	21,505
Shares issued in Share Purchase Plan	-	17,606,589	-	2,034
Shares issued in Loan Funded Share Plan	30,000,000	40,000,000	-	-
Shares issued on option exercise	82,712,463	85,135,804	2,270	3,558
Share issue expenses – cash issue costs	-	-	(84)	(927)
	1,625,241,426	1,512,528,963	104,363	102,177

(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 (AUD$)	Exercisable	Weighted Average Exercise Price (AUD$)
Outstanding at 1 January 2013	298,555,024	$0.031	251,221,695	$0.032
Lapsed	(15,000,000)	$0.038		
Exercised	(85,135,804)	$0.042		
Outstanding at 31 December 2013	198,419,220	$0.023	193,419,220	$0.023
Exercised	(82,712,463)	$0.027		
Outstanding at 31 December 2014	115,706,757	$0.019	115,706,757	$0.019

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. 16,706,757 of these options remained outstanding at 31 December 2014. These 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 2014 there were 99,000,000 options outstanding under the Share Option Plan (2013: 122,800,000).

No options were granted during 2014 or 2013.

The weighted average remaining contractual life of outstanding share options at 31 December 2014 is 1.3 years (2013: 1.9 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.

Number of options	Expiry date	Exercise price per share (A$)	Total exercise price (A$)
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
397,059	19/01/2015	0.0163	$ 6,472
397,059	18/02/2015	0.0163	$ 6,472
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
7,816,667	6/06/2015	0.0162	$ 126,630
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
5,000,000	26/10/2016	0.0377	$ 188,500
11,000,000	7/08/2017	0.0190	$ 209,000
115,706,757			$ 2,187,818

(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.

All shares issued prior to 31 December 2014 have been issued subject to the following vesting conditions:

a. The Participant is continuously a director or employee 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.

Before the shares can be issued, The New Zealand Companies Act requires the Company to obtain shareholder approval to provide financial assistance to the Participant in the form of the loan to purchase the shares.

The estimated fair value of the shares has been determined using the Black-Scholes valuation model. The significant inputs into the model were the share price on the date of valuation, the estimated future volatility of the share price, a dividend yield of 0%, an expected life of 3 years, and an annual risk-free interest rate of 2.50%. The estimated future volatility of the share price was derived by analysing the historic volatility of the share price during a relevant period.

Details of the shares issued prior to 31 December 2014, the estimated fair value and variable inputs into the valuation model are shown in the following table:

Number of shares	40 million	30 million
Issue date	29 May 2013	28 May 2014
Issue price per share	$0.039	$0.092
Share price on date of valuation	$0.039	$0.069
Fair value per share	$0.03	$0.04
Estimated future volatility	119%	101%

On 24 September 2014, the directors resolved to issue under the Loan Funded Share Plan 20 million shares at $0.082 per share to the Director of Product Development and Technical Affairs, Clive Blower, however the shares cannot be issued before obtaining approval from shareholders at the 2015 Annual General Meeting to provide financial assistance in the form of the loan to purchase the shares. After issue, these shares will be subject to the same vesting conditions as the shares previously issued. The shares have been valued at the date on which the directors resolved to issue the shares. The estimated fair value, determined using the Black-Scholes valuation model, was $0.05 per share. The significant inputs into the model were a share price of 0.082, estimated future volatility of 95%, dividend yield of 0%, an expected life of 3 years from the date of issue, and an annual risk-free interest rate of 2.50%.

(d) Equity Performance Rights

The Company has issued equity performance rights ("EPR") to certain executives, calculated as a fixed amount divided by the average closing price of the listed ordinary shares of the Company over the five trading days immediately preceding the date of acceptance of an offer of employment ("measurement date"). Subject to continuous service by the recipient, each EPR vests three years from the date on which service commences ("vesting date"). 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 the recipient 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 the recipient ceases to be an employee or director of the Company.

The estimated fair value of each EPR has been determined using the Black-Scholes valuation model. The significant inputs into the model were the grant date share price, estimated future volatility of the share price, dividend yield of 0%, an expected life of 3 years, and an annual risk-free interest rate of 2.5%. The estimated future share price volatility was derived by analysing the historic volatility of the Company's shares over a relevant period.

Details of the EPR issued prior to 31 December 2014, the estimated fair value and variable inputs into the valuation model are shown in the following table:

Number of EPR	9,615,385	2,666,667	643,225	1,308,901
Issue date	29 May 2013	31 May 2014	31 May 2014	24 September 2014
Fair value per share	$0.033	$0.038	$0.117	$0.076
Measurement date	31 January 2013	14 May 2013	16 August 2013	15 May 2014
Vesting date	31 January 2016	18 August 2016	25 August 2016	25 August 2017
Estimated future volatility	121%	101%	101%	95%

12. Deferred tax

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax asset (liability)				
Amounts recognised in profit or loss				
Provisions and accruals	19	8	19	8
Intangible assets	27	(725)	27	43
Exchange Differences	(190)	-	(190)	-
Tax losses	20,688	22,880	20,688	18,561
	20,544	22,163	20,544	18,612
Unrecognised deferred tax assets	(20,544)	(22,163)	(20,544)	(18,612)
Deferred tax asset (liability)	-	-	0	-
Movements				
Deferred tax asset (liability) at the beginning of the year	-	-	-	-
Credited (charged) to the income statement (note 5)	(1,620)	2,134	1,933	1,902
Effect of change in tax rates	-	-	-	-
Exchange differences	-	-	-	-
Change in unrecognised deferred tax assets	1,620	(2,134)	(1,933)	(1,902)
Deferred tax asset (liability) at the end of the year	-	-	-	-

The unrecognised deferred tax assets at 31 December 2014 include $18.1 million for New Zealand tax losses. The Company may not be able to generate future taxable profits in New Zealand to utilise those losses.

13. 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			Amount due to Parent		
					2014	2013	2012	2014	2013	2012
					$'000	$'000	$'000	$'000	$'000	$'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	-	-	-	1,162	1,158	21
Hamilton Pharmaceuticals Inc.	2-Apr-04	Clinical research	100%	USA	3868	3,868	3,327	68	761	616
	Less: Impairment loss and provision for doubtful debt:				(3,868)	(3,868)	-	(68)	(761)	-
Neuren Pharmaceuticals (Australia) Pty Ltd	9-Nov-06	Dormant	100%	Australia	-	-	-	-	-	-
Perseis Therapeutics Limited	25-Mar-09	Preclinical research	72.20%	NZ	52	52	45	833	770	533
	Less: Impairment loss and provision for doubtful debt:				(52)	-	-	(833)	-	-

In 2013 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.

In 2014 an Impairment loss and a provision for doubtful debt were made against the full investment and amount receivable from Perseis Therapeutics Limited following a review of the carrying value of the subsidiary's intellectual property.

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

14. 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 first 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. The Company's second premises commitment is for a two years and six months lease commencing September 2014, with an option to renew for a further term of three years, and annual rental reviews throughout.

		2014	2013	2012
Consolidated and Parent		AUD$'000	AUD$'000	AUD$'000
Not later than one year		128	58	65
Later than one year and not later than five years		85	53	171
		213	111	236

(b) Legal claims

The Company had no significant legal matter contingencies as at 31 December 2014 or 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 2014 (2013: nil).

15. Related party transactions

(a) Key Management Personnel
The Key Management Personnel of the Group (KMP) include the directors of the Company and direct reports to the Executive Chairman. Compensation for KMP was as follows:

	2014 $'000	2013 $'000
Directors:		
Fees and other short term benefits	885	966
Share based payment compensation	475	363
Management:		
Short-term benefits	948	752
Share based payment compensation	473	234
	2,781	2,315

As detailed in Note 11 (c), during the year ended 31 December 2014, 30 million (2013: 40 million) ordinary shares were issued to a trust to hold on behalf of KMP under the Company's Loan Funded Share Plan. In accordance with the terms of the Plan, limited-recourse interest-free loans of $2,760,000 (2013: $1,560,000) were provided to those KMP. Further details of the terms and conditions of the loans are disclosed in Note 11 (c).

As detailed in Note 11 (d), during the year ended 31 December 2014, 4,618,793 (2013: 9,615,385) equity performance rights (EPR) were issued to KMP. Further details of the terms and conditions of the EPR are disclosed in Note 11 (d).

(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 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 fees of $28,000 for management, intellectual property and administrative services. There were no charges for the year ended 31 December 2014. During the year ended 31 December 2014 Neuren Pharmaceuticals Inc charged the Parent fees of US$1,088,276 for pharmaceutical research services and the Parent charged Neuren Pharmaceuticals Inc fees of $56,000 for administrative services. There were no charges for the year ended 31 December 2013.

16. Events after balance date

As at the date of these financial statements there were no events arising since 31 December 2014 which require disclosure.

17. Financial instruments and risk management

(a) Categories of financial instruments

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets				
Cash and cash equivalents	20,824	24,379	20,236	24,286
Trade and other receivables	963	1,621	1,231	2,110
Total financial assets (loans and receivables classification)	21,787	26,000	21,467	26,396
Financial liabilities				
Amortised cost:				
Trade and other payables	3,028	2,061	2,199	1,396
Total financial liabilities	3,028	2,061	2,199	1,396

(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 expected to be denominated in US dollars.

A foreign exchange gain of $876,000 is included in results for the year ended 31 December 2014 (2013: loss of $1,353,000). The majority of the gain relates to the revaluation for reporting purposes of the Company's US dollar denominated cash reserves into Australian dollars and the significant strengthening of the US dollar against the Australian dollar in the latter part of 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 2014, there were no forward contracts outstanding.

The carrying amounts of US dollar denominated financial assets and liabilities are as follows:

	Consolidated		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Assets				
US dollars	9,387	3,079	9,073	2,707
Liabilities				
US dollars	2,121	1,210	1,294	545

An increase of 10% in the value of the US dollar against the Australian dollar as at the reporting date would have increased the consolidated loss after income tax by $661,000 (2013: $170,000). A decrease of 10% in the value of the US dollar against the Australian dollar as at the reporting date would have decreased the consolidated loss after income tax by $807,000 (2013: $208,000).

An increase of 10% in the value of the US dollar against the Australian dollar as at the reporting date would have increased the parent's loss after income tax by $707,000 (2013: $197,000). A decrease of 10% in the value of the US dollar against the Australian dollar as at the reporting date would have decreased the parent's loss after income tax by $864,000 (2013: $240,000).

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents				
Australian dollar cash deposits	12,311	23,083	12,311	23,084
Australian dollar interest rate	3.47%	3.50%	3.47%	3.50%
US dollar cash deposits	8,499	968	7,911	877
US dollar interest rate	0.03%	0.01%	0.03%	0.01%
New Zealand dollar cash deposits	14	192	14	190
New Zealand dollar interest rate	3.22%	3.00%	3.22%	3.00%
Sterling cash deposits	-	136	-	135
Sterling interest rate		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.

A 10% change in average market interest rates would have changed reported profit after tax by approximately $56,000.

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 loans and receivables 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 2014, $888,000 was receivable from the US government (2013: $1,439,000). Cash and cash equivalents held with financial institutions are exposed to credit risk. These have been assessed by S&P as having a financial credit rating of AA.

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 Group financial statements of Neuren Pharmaceuticals Limited ("the Company") on pages 6 to 26, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement 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 the Group. The Group comprises the Company and the entities it controlled at 31 December 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards 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'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'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 Pharmeceuticals or any of its subsidiaries.

Independent Auditors' Report

Neuren Pharmaceuticals Limited

Opinion

In our opinion, the financial statements on pages 6 to 26:

(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 2014, 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 2014:

(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 Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with 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

24 February 2015

Additional Information

Equity Securities Held by Directors as at 24 February 2015						
	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	20,000,000	-	-	-	-	-
Bruce Hancox	-	-	-	-	-	-
Trevor Scott	20,000,000	50,118,249	-	-	-	-

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 26 of Neuren and its subsidiaries for the year ended 31 December 2014 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 2014 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 24 February 2015.

On behalf of the Board

Dr Richard Treagus
Chairman

Dr Trevor Scott
Director