

**NeuronZ Limited**

Annual Report & Financial Statements

For the Year Ended 31 December 2002

# NeuronZ Limited

## Annual Report & Financial Statements

For the Year Ended 31 December 2002

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NeuronZ Limited

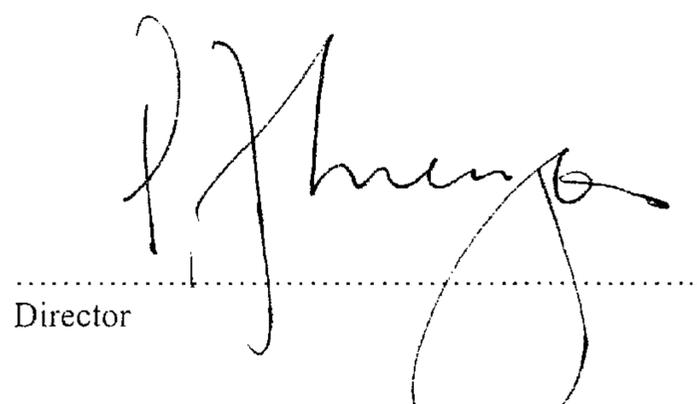
Annual Report

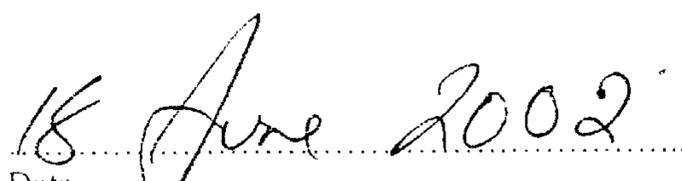
For the Year Ended 31 December 2002

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 2002.

The annual report presented on pages 1 to 3 and the financial statements presented on pages 6 to 18 are signed for and on behalf of the Board and were authorised for issue on the date below.

  
.....  
Director

  
.....  
Director

  
.....  
Date

## NeuronZ Limited

### Annual Report

#### For the Year Ended 31 December 2002

### Principal Activities

NeuronZ Limited is a bioscience company operating solely within New Zealand whose principal business activity is 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.

### Performance Overview

During the year, the Company focussed on its core scientific and commercial operations streamlining these towards commercial end points.

The operating deficit of \$2,221,000 (2001: deficit of \$8,600,000) for the year reflects this focus and includes \$6.7M of revenue for the sale of the Company's *Brain Monitor* technology. The detailed financial statements are presented on pages 6 to 18.

The deficit per share of \$0.43( 2001: deficit of \$3.13) is based on 2,500,000 (2001: 2,500,000) weighted average number of shares outstanding.

No dividends were paid in the year (2001: 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 2002 are as follows:

#### Mr P Menzies

Mr Menzies has a relevant interest in 1,500,000 Series A Preference Shares as at 31 December 2002 in his capacity as a director.

#### Mr R L Congreve

Mr Congreve has a relevant interest in 1,600,000 Series A Preference Shares as at 31 December 2002 in his capacity as director.

# NeuronZ Limited

## Annual Report

### For the Year Ended 31 December 2002

#### Mr J McLay

Mr McLay has a relevant interest in 2,000,000 Series A Preference Shares as at 31 December 2002 in his capacity as director.

#### Dr P C Strange

Dr Strange has a relevant interest in 2,254,000 Ordinary Shares as at 31 December 2002 in his capacity as director.

There are no other matters registered by the directors which are considered to cause any potential conflict of interests as at 31 December 2002.

Directors and remuneration	Other Remuneration 2002 \$'000	Other Remuneration 2001 \$'000
RL Congreve ( Chairman )	-	-
JJ Egan (Resigned June 2001)	-	209
K Kociuba (Resigned July 2001)	-	-
J Balter (Resigned May 2002)	332	647
PD Gluckman (Resigned March 2002)	372	158
PC Strange	-	-
J McLay (Appointed July 2001)	-	-
P Hanley (Appointed Aug 2002)	-	-
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:

	2002	2001
\$100,000 – 109,999	1	-
\$120,000 – 129,999	-	1
\$150,000 – 159,999	-	1
\$170,000 – 179,999	1	-
\$180,000 – 189,999	1	-
\$340,000 – 349,999	1	-

## Donations

The Company made no donations (2001: Nil) during the year.

## Auditors

PricewaterhouseCoopers are the auditors of the Company. Audit fees are \$10,000 (2001: \$10,000). Also during 2002 PricewaterhouseCoopers received \$8,000 ( 2001: \$9,000 ) in relation to other financial advice.

# NeuronZ Limited

## Statement of Financial Performance

For the Year Ended 31 December 2002

	Notes	2002 \$'000	2001 \$'000
<b>Revenue:</b>			
Research revenues		435	178
Sale of technology		6,700	-
Interest income		45	93
<b>Total revenue</b>		<u>7,180</u>	<u>271</u>
<b>Operating expenses:</b>			
Research		9,197	5,072
Finance and administration		3,756	3,613
Foreign exchange variance		(3,552)	186
		<u>9,401</u>	<u>8,871</u>
Operating deficit before taxation	2	(2,221)	(8,600)
Provision for income taxes	3	-	-
<b>Net Deficit</b>		<u>(2,221)</u>	<u>(8,600)</u>
<b>Net Deficit per share:</b>			
Basic	1	(\$0.43)	(\$3.13)
Diluted	1	<u>(\$0.43)</u>	<u>(\$3.13)</u>
<b>Weighted average number of shares outstanding:</b>			
Basic	1	2,500,000	2,500,000
Diluted	1	<u>2,500,000</u>	<u>2,500,000</u>

# NeuronZ Limited

## Statement of Movements in Equity

### For the Year Ended 31 December 2002

	Number of Shares	Paid up capital	Accum Deficit	Total
<u>Shareholders' equity / deficit as at 1 January 2001</u>		\$'000	\$'000	\$'000
Total shareholders' equity / deficit	2,500,000	1,519	(4,551)	(3,032)
Net deficit 2001			(8,600)	(8,600)
<u>Shareholders' equity/ deficit as at 31 December 2001</u>				
Total shareholders' equity / (deficit)	2,500,000	1,519	(13,151)	(11,632)
<u>Shareholders' equity / deficit as at 1 January 2002</u>				
Total shareholders' equity / deficit	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)	2,500,000	1,519	(15,372)	(13,853)

# NeuronZ Limited

## Statement of Financial Position

As at 31 December 2002

	Notes	2002 \$'000	2001 \$'000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	5	1,928	3,773
Accounts receivable		180	272
Other current assets		364	219
<b>Total current assets</b>		<u>2,472</u>	<u>4,264</u>
<b>Non-current assets:</b>			
Plant and equipment, net	6	860	885
<b>Total non-current assets</b>		<u>860</u>	<u>885</u>
<b>Total assets</b>		<u>3,332</u>	<u>5,149</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	7	1,509	1,476
<b>Total current liabilities</b>		<u>1,509</u>	<u>1,476</u>
<b>Non-current liabilities:</b>			
Long term debt	8	15,676	15,305
<b>Total liabilities</b>		<u>17,185</u>	<u>16,781</u>
<b>SHAREHOLDERS' DEFICIT</b>			
Paid in capital	4	1,519	1,519
Accumulated deficit		(15,372)	(13,151)
<b>Total shareholders' deficit</b>		<u>(13,853)</u>	<u>(11,632)</u>
<b>Total liabilities and shareholders' deficit</b>		<u>3,332</u>	<u>5,149</u>

# NeuronZ Limited

## Statement of Cashflows

For the Year Ended 31 December 2002

	2002 \$'000	2001 \$'000
<b>Cashflows (to)/from operating activities:</b>		
Receipts from grants	271	178
Receipts from customers	256	-
Receipts from sale of technology	6,700	-
Interest received	43	86
Net goods and services tax received / (paid)	1	81
Payments to suppliers	(8,625)	(4,939)
Payments to employees	(2,641)	(1,884)
Series A Preference Shares financing costs	(176)	(332)
<b>Net cash used in operating activities</b>	<b>(4,171)</b>	<b>(6,810)</b>
<b>Cashflows to investing activities:</b>		
Purchase of plant and equipment	(435)	(846)
<b>Net cash used in investing activities</b>	<b>(435)</b>	<b>(846)</b>
<b>Cashflows from financing activities:</b>		
Issue of Series A Preference Shares	2,802	7,243
<b>Net cash provided from financing activities</b>	<b>2,802</b>	<b>7,243</b>
Net decrease in cash	(1,804)	(413)
Cash at the beginning of the year	3,773	4,109
Effect of exchange rate changes on cash	(41)	77
Cash at end of the year	1,928	3,773
<b>Reconciliation with net deficit:</b>		
Net deficit	(2,221)	(8,600)
<b>Items requiring adjustment:</b>		
Depreciation	487	289
Interest on Preference Shares	1,135	779
Foreign exchange loss / (gain)	(3,552)	186
<b>Changes in working capital:</b>		
Accounts receivable	(180)	-
Other debtors and prepaid expenses	127	(326)
Accounts payable and accruals	33	862
<b>Net cash used in operating activities</b>	<b>(4,171)</b>	<b>(6,810)</b>

## **NeuronZ Limited**

### **Statement of Accounting Policies**

#### **For the Year Ended 31 December 2002**

##### **Nature of business**

NeuronZ Limited is a bioscience Company operating solely within New Zealand whose principal business activity is 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.

The Company's development activities involve inherent risks. These risks include, among others: dependence on, and the Company's ability to retain key personnel; the Company's ability to protect its intellectual property and prevent other companies from using the technology; the Company's business is based on novel and unproven technology; the Company's ability to complete the clinical trial process to obtain regulatory approval and commercialise the products; technological developments by the Company's competitors may render its products obsolete; and future regulation could limit the amount the Company will be able to charge for its products. The realisable value of the Company's recognised assets is subject to these inherent risks.

In addition, the Company has a business plan, which will require a high level of expenditures until product revenue streams are established and therefore expects to continue to incur additional net losses through this time. In the future, the Company will need to raise additional financing through 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. In the event the Company is unable to raise additional capital, future operations will need to be curtailed or discontinued. These matters raise doubt about the Company's ability to continue as a going concern.

##### **Summary of significant accounting policies**

The accompanying financial statements of the Company are for the year ended 31 December 2002, and are based on the general principals of historical cost accounting. They are presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993, in conformity with generally accepted accounting practice in New Zealand.

##### **Revenue**

###### **Goods and services**

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

###### **Grants**

Grants received are recognised in the statement of financial performance when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

###### **Investment income**

Dividend income is recognised in the period the dividend is declared.

Interest and rental income are accounted for as earned.

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **NeuronZ Limited**

### **Statement of Accounting Policies**

#### **For the Year Ended 31 December 2002**

##### **Goods and services tax (GST)**

The statement of financial performance and statement of cash flow 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.

##### **Translation of foreign currency**

The financial statements are expressed in New Zealand dollars, the functional currency of the Company. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies arising from operations are translated into New Zealand dollars using closing exchange rates in effect at period end. Gains and losses due to exchange rate fluctuations on these items are included in the statement of financial performance. An exchange rate of NZ\$0.53 ( 2001: NZ\$0.42 ) was used to translate US dollar denominated monetary items at 31 December 2002.

##### **Research and development**

Research expenses include direct and directly attributable overhead expenses for drug discovery and research and pre-clinical. 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. This is when :

- 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 Company 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 period of expected benefit. Research and development costs are otherwise expensed as incurred.

##### **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 2002.

# NeuronZ Limited

## Statement of Accounting Policies

### For the Year Ended 31 December 2002

#### Impairment

The Company reviews long-lived assets, including intangible assets, 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 estimated undiscounted cashflow from such asset is less than its carrying value. In that event, a loss is recognised in the statement of financial performance based on the amount by which the carrying amount exceeds the fair market value of the long lived asset. Fair market value is determined using the anticipated cashflows discounted at a rate commensurate with the risk involved.

#### 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 are 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.

#### 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 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 8 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 8 to the accounts.

## **NeuronZ Limited**

### **Statement of Accounting Policies**

#### **For the Year Ended 31 December 2002**

##### **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 2002

#### 1. Net deficit per share

Basic net deficit per share is based upon the weighted average number of outstanding Ordinary Shares. For the year ended 31 December 2002, the Company's potentially dilutive common share equivalents being the redeemable preference shares (refer note 8) 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 deficit per share.

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

	2002 \$'000	2001 \$'000
<b>Basic:</b>		
Unadjusted Net deficit	(2,221)	(8,600)
Add: Preference Share interest	1,134	779
Net deficit in EPS	<u>(1,087)</u>	<u>(7,821)</u>
Weighted Average Shares Outstanding:	<u>2,500,000</u>	<u>2,500,000</u>
Net deficit per share	<u>(\$0.43)</u>	<u>(\$3.13)</u>
<b>Diluted:</b>		
Unadjusted Net deficit	(2,221)	(8,600)
Add: Preference Share interest	1,134	779
Net deficit in EPS	<u>(1,087)</u>	<u>(7,821)</u>
Weighted Average Shares Outstanding:	<u>2,500,000</u>	<u>2,500,000</u>
Net deficit per share	<u>(\$0.43)</u>	<u>(\$3.13)</u>

#### 2. Operating deficit

	2002 \$'000	2001 \$'000
Operating deficit for continuing activities is stated after charging:		
Directors fees	-	-
Audit fees	10	10
Other fees to auditor	8	9
<b>Depreciation</b>		
Scientific Equipment	240	116
Computer Equipment	201	140
Office furniture, fixtures & fittings	35	25
Leasehold Improvements	11	8
<b>Total Depreciation</b>	<u>487</u>	<u>289</u>
Preference shares interest	1,135	779
Net (gain) / loss on foreign currency translations	(3,552)	186
Research costs incurred in respect of technology sold	3,296	-
Rent expense	292	250

## NeuronZ Limited

### Notes to the Financial Statements

#### For the Year Ended 31 December 2002

#### 3. Income Tax

The Company had total unrecognised income tax losses carried forward from 2001 of \$ 7,400,000 ( 2000: \$1,700,000) with a tax effect of \$ 2,450,000 ( 2000: \$561,000 ).

In addition, the Company has an estimated income tax loss of \$ 2,502,000 in 2002 ( 2001: \$5,719,000 estimated loss ) with a tax effect of \$825,000 ( 2001: \$1,887,000 ) to be carried forward subject to the requirements of income tax legislation being met and the Company maintaining shareholder continuity.

	2002 \$'000	2001 \$'000
<b>Net Deficit per accounts</b>	(2,221)	(8,601)
<b>Timing Differences not recognised</b>		
Depreciation	162	84
<b>Permanent Differences</b>		
Legal fees non deductible	573	267
Unrealised FX on preference shares	(3,224)	378
Interest on preference shares	1,134	779
Patent costs non deductible	813	998
Capital expenses non deductible	241	344
Other differences	20	32
<b>Income tax loss in year</b>	(2,502)	(5,719)
Tax loss not recognised	2,502	5,719
	-	-
<b>Tax at 33%</b>	-	-

The Company has not recognised any deferred taxation due to the existence of tax losses. The tax effect of total timing differences not recognised at 31 December 2002 was \$53,000 (2001: \$28,000). There are no imputation credits as there have been no taxes paid.

#### 4. Share capital

	2002 \$'000	2001 \$'000
<b>Ordinary Shares</b>		
Balance at beginning of year	1,519	1,519
Shares issued during the year	-	-
Converted from Preference Shares	-	-
Balance at end of year	1,519	1,519
<b>Total Share Capital</b>	1,519	1,519

As at 31 December 2002 there were 2,500,000 (2001: 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 2002

#### 5. Cash and cash equivalents

	2002 \$'000	2001 \$'000
<b>Cash and cash equivalents consists of the following:</b>		
Cash	81	2,409
Demand deposits	1,847	1,364
	<u>1,928</u>	<u>3,773</u>

A foreign exchange loss of \$41,000 ( 2001: \$77,000 ) on US dollar denominated bank accounts was recorded in the operating deficit for the year ended 31 December 2002.

#### 6. Plant and equipment

	2002 \$'000	2001 \$'000
<b>Plant and equipment consist of the following:</b>		
<b>Cost:</b>		
Scientific equipment	1,002	660
Computer equipment	467	366
Office furniture, fixtures & fittings	151	135
Leasehold improvements	43	40
	<u>1,663</u>	<u>1,201</u>
<b>Less accumulated depreciation:</b>		
Scientific equipment	365	125
Computer equipment	355	154
Office furniture, fixtures & fittings	63	28
Leasehold improvements	20	9
	<u>803</u>	<u>316</u>
<b>Plant and equipment, net</b>	<u>860</u>	<u>885</u>

#### 7. Accounts payable and accrued liabilities

	2002 \$'000	2001 \$'000
<b>Accounts payable and accrued liabilities consist of the following:</b>		
Trade accounts payable	1,102	815
Employee related payables	79	33
Other accruals	328	628
	<u>1,509</u>	<u>1,476</u>

#### 8. Long term debt

	2002 \$'000	2001 \$'000
Series A Preference Shares issued	13,863	14,286
Accrued Series A Preference Share interest	1,813	1,019
	<u>15,676</u>	<u>15,305</u>

# NeuronZ Limited

## Notes to the Financial Statements

### For the Year Ended 31 December 2002

#### 8. Long term debt ( continued )

On 6 June 2002 and 29 August 2002 the Company issued 950,000 and 400,000 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 Preference Shareholder and also automatically 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 2002 there were 7,350,000 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

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 retranslated as at 31 December 2002 with the total foreign exchange gain of NZ\$3,224,000 ( 2001: Loss of NZ\$278,000 ) disclosed within the operating deficit for the year.

The 8% Preference Share interest has been accrued for up to 31 December 2002 and is disclosed as Preference Share Interest within the operating deficit for the year.

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.

#### 9. 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.

	2002 \$'000	2001 \$'000
<b>Non cancellable operating lease commitments:</b>		
Within one year	313	313
One to two years	313	313
Two to five years	599	912
Beyond five years	-	-
	<u>1,225</u>	<u>1,538</u>

# NeuronZ Limited

## Notes to the Financial Statements

### For the Year Ended 31 December 2002

#### Legal claims

The Company has not entered into any collaborative arrangements and has no other significant legal contingencies as at 31 December 2002 (2001 : None)

#### Capital commitments

The Company is committed to the purchase of scientific equipment to the value of \$Nil (2001: \$257,000 ) as at 31 December 2002.

#### 10. Related party transactions

Auckland UniServices Limited is a related party of NeuronZ Limited by virtue of its Ordinary shareholding. During the year goods and services were recharged to NeuronZ Limited at a net value of NZ\$2.4M ( 2001: NZ\$2.8M ) on commercial, contractually agreed terms. As at 31 December 2002 NZ\$0.6M (2001: NZ\$0.5M ) was outstanding and included within trade accounts payable in note 7 to the accounts.

Professor P D Gluckman (direct shareholder and former director, resigned March 2002) and Mr J Balter (former director, resigned May 2002) are related parties of NeuronZ Limited for the reporting period. During the year Professor P D Gluckman received consultancy fees of NZ\$0.4M ( 2001: \$0.2M ) for science and management services provided. Fees for investment banking NZ\$0.1M ( 2001: NZ\$0.2M ) and strategic consulting of NZ\$0.2M ( 2001 : NZ\$0.4M) were paid to The Ulysses Group during the year, an entity in which Mr J Balter is a partner.

As at 31 December 2002 NZ\$Nil ( 2001: NZ\$75,000 ) was outstanding to Mr J Balter and NZ\$19,000 ( 2001: NZ\$32,000 ) was outstanding to Professor P D Gluckman. These amounts are included within other trade creditors in note 7 to the accounts.

The Company has had no other significant transactions with related parties during the year.

#### 11. Going Concern

As stated in the Statement of Accounting Policies on page 10, the Company will need to raise additional financing through public or private equity financings, collaborations or other arrangements with corporate sources or other sources of financing to fund operations. The directors believe they will be successful in obtaining sufficient funding for the operations of the Company for the foreseeable future and for a period not less than twelve months from the date of them signing these financial statements.

#### 12. 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 2002 the share option plans had not been formalised.

# **NeuronZ Limited**

## **Directory**

**As at 31 December 2002**

### **Registered office**

Level 3  
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### **Solicitors**

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