Rule 4.3A

Appendix 4E

Neuren Pharmaceuticals Limited
ARBN 111 496 130

Preliminary final report
Financial year ended 31 December 2019

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 2019 together with comparative results for the year ended 31 December 2018.

All amounts shown are in Australian dollars unless otherwise stated.

2. Results for announcement to the market

		2019 $'000	2018 $'000	Increase/(Decrease) $'000	% Change
2.1	Operating Revenue	1,016	15,169	(14,153)	(93%)
2.2	(Loss)/Profit after Tax attributable to equity holders	(10,816)	3,073	(13,889)	(452%)
2.3	(Loss)/Profit attributable to equity holders	(10,816)	3,073	(13,889)	(452%)
2.4	Dividends	N/A	N/A	N/A	N/A

Neuren's new product pipeline expanded and advanced substantially during 2019, with the Rett syndrome program moving into the final stage (Phase 3) and development commencing in three new indications. Neuren ended the year in a strong position, advancing 2 valuable drugs to treat 5 debilitating childhood disorders which currently have no approved therapies. The lead program is in Phase 3 in the US, fully funded and executed by Neuren's US partner ACADIA.

Cash reserves at 31 December 2019 were $13.8 million, compared with $23.6 million at the start of the year. The loss after tax attributable to equity holders for 2019 was $10.8 million compared with profit after tax of $3.1 million in 2018, mainly due to revenue of $13.5 million received in 2018 under the licence agreement with ACADIA. In addition, foreign exchange gains decreased by $0.8 million and research and development costs were higher by $3.8 million, resulting from increased expenditure on manufacturing scale-up and non-clinical toxicity studies. These were offset by a decrease in the loss of $0.3 million (2018: $3.9 million) on the fair value of the final settlements from Lanstead Capital under the Sharing Agreement that was entered into as part of the capital raising in July 2017. Prudent control of expenditure continues to be an important principle in the Group's operations and financing.

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 2019 $	31 December 2018 $
Net tangible assets per security	$0.14	$0.24

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 (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) which comply with International Financial Reporting Standards, the requirements of the Financial Markets Conduct Act 2013, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities that fall into Tier 1 as determined by the New Zealand Accounting Standards Board.

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 2019.

Neuren Pharmaceuticals Limited

Financial Report and Directors' Report for the year ended 31 December 2019

Directors' Report

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

Review of Operations

Neuren is developing new therapies for five neurodevelopmental disorders with high un-met need, utilizing synthetic analogs of peptides that occur naturally in the brain. Neuren has granted an exclusive license to ACADIA Pharmaceuticals Inc. (ACADIA) for the development and commercialization of trofinetide in North America, whilst retaining all rights outside North America. Trofinetide is in a Phase 3 clinical trial in the United States for Rett syndrome and has completed a Phase 2 clinical trial in Fragile X syndrome. The programs in Rett syndrome and Fragile X syndrome have each received Fast Track designation by the US Food and Drug Administration (FDA) and Orphan Drug designation in both the United States and the European Union. Neuren is advancing the development of its second drug candidate NNZ-2591 for Phelan-McDermid syndrome, Angelman syndrome and Pitt Hopkins syndrome.

Neuren's new product pipeline expanded and advanced substantially during 2019, with the Rett syndrome program moving into the final stage (Phase 3) and development commencing in three new indications. Neuren ended the year in a strong position, advancing 2 valuable drugs to treat 5 debilitating childhood disorders which currently have no approved therapies. The lead program is in Phase 3 in the US, fully funded and executed by ACADIA.

ACADIA commenced the Rett syndrome Phase 3 program in October 2019. The program involves treatment of approximately 180 females aged 5 to 20 with trofinetide or placebo for 12 weeks to evaluate efficacy and safety (the "LAVENDER" study), following which patients are eligible to continue treatment with trofinetide for 40 weeks to provide longer-term safety data (the "LILAC" study). Results from the LAVENDER study are expected in 2021. Positive results potentially will enable a New Drug Application, which should be eligible for "Priority Review" by the FDA in an abbreviated period of 6 months. ACADIA has also established "LILAC-2" under which eligible patients who complete LAVENDER and LILAC will be able to continue to receive trofinetide during the period before marketing approval.

In March 2019 the results of Neuren's Phase 2 study of trofinetide in pediatric Rett syndrome were published in Neurology®, the highly regarded peer-reviewed medical journal of the American Academy of Neurology. The publication was also the basis for an editorial in the journal titled "Turning the tide on targeted treatments for neurodevelopmental disorders".

In February and May 2019, Neuren announced positive results for NNZ-2591 in separate mouse models of Phelan-McDermid syndrome, Angelman syndrome and Pitt Hopkins syndrome. These are three debilitating neurodevelopmental disorders with no approved drug therapy. The cause of each disorder is a mutation or deletion in a different gene or chromosomal region, however they share an underlying impairment in the connections and signalling between brain cells. The aim of treatment with NNZ-2591 is to restore normal functional connectivity and signalling.

In October 2019, Neuren received three Orphan Drug designations from the FDA for NNZ-2591 in each of Phelan-McDermid syndrome, Angelman syndrome and Pitt Hopkins syndrome. Orphan Drug designation is a special status that the FDA may grant to a drug to treat a rare disease or condition. Orphan Drug designation qualifies the sponsor of the drug for incentives including 7 years of marketing exclusivity, plus 6 additional months if approved for pediatric use, as well as waiver of the prescription drug user fee for a marketing application.

Neuren is continuing the manufacturing development and non-clinical studies required before submitting an Investigational New Drug (IND) Application for NNZ-2591 in the United States. Neuren aims to commence clinical trials in the second half of 2020. The NNZ-2591 program is benefiting from the extensive experience gained by Neuren during the development of trofinetide for Rett syndrome and Fragile X syndrome.

During the year, Neuren's patent portfolio for trofinetide and NNZ-2591 was enhanced further by the grant of new patents in the key markets of the United States, Europe and Japan. Additional patent applications are under examination.

Assisted by Torreya, a global investment bank specialising in life sciences, Neuren is conducting a process to evaluate proposals for potential corporate transactions, engaging with third parties in the US, Europe and Japan.

The consolidated financial statements are presented on pages 5 to 22. 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 2019 was $10.8 million compared with the Group's profit after tax of $3.1 million in 2018, mainly due to revenue of $13.5 million received in 2018 under the licence agreement with ACADIA. In addition, foreign exchange gains decreased by $0.8 million and research and development costs were higher by by $3.8 million, resulting from increased expenditure on manufacturing scale-up and non-clinical toxicity studies. These were offset by a decrease in the loss of $0.3 million (2018: $3.9 million) on the fair value of the remaining settlements from Lanstead Capital under the Sharing Agreement that was entered into as part of the capital raising in July 2017. Prudent control of expenditure continues to be an important principle in the Group's operations and financing.

The Sharing Agreement with Lanstead Capital concluded in June 2019 with the final settlement received in July 2019. The aggregate amount received from Lanstead Capital throughout the course of the arrangement was $12.2 million. This delivered to Neuren additional cash funding of $2.2 million, with no additional shares issued to Lanstead Capital.

The basic loss per share for 2019 was $0.108 (2018: earnings of $0.031 per share), based on a weighted average number of shares outstanding of 100,168,413 (2018: 99,038,854).

Cash reserves at 31 December 2019 were $13.8 million (2018: $23.6 million). Net cash used in operating activities was $11.7 million, compared with cash inflow of $6.4 million in 2018. Financing provided cash of $1.9 million, received from the settlements from the Sharing Agreement with Lanstead Capital, compared with $11.7 million in 2018 from the issue of shares in May 2018 under the exclusivity deed with ACADIA and settlements from the Lanstead Sharing Agreement.

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)

Richard joined the Neuren Board as Executive Chairman in January 2013. He is a physician, with more than 20 years' experience in all aspects of the international biopharmaceutical industry. 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. Richard served as Chief Executive of the ASX-listed company Acrux Limited from 2006 to 2012. Under his leadership Acrux gained FDA approval for three drug products, concluded a product licensing transaction with Eli Lilly worth US$335m plus royalties and became profitable. In 2010 Richard 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. Richard is Chairman of BTC Health Limited, which is listed on the ASX.

Dr Trevor Scott, MNZM, LLD (Hon), BCom, FCA, FNZIM, DF Inst D (Non-Executive Director)

Trevor 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. Trevor serves on numerous corporate boards and is chairman of several.

Dianne Angus BSc (Hons), Master of Biotechnology, IPTA (Non-Executive Director)

Dianne joined the Neuren Board in July 2018. She has worked as a senior executive and non-executive director within the biotechnology, biopharmaceutical and agritech industries for over twenty-five years. She has created numerous global industry partnerships which include Prana Biotechnology, Gerolymatos International, Florigene, Suntory & Monsanto to yield novel and competitive medical, pharmaceutical and agricultural products. Dianne has successfully forged strong partnerships with key medical opinion leaders to create innovative clinical research programs and driven the development path for novel neurological pre-clinical agents to late-stage clinical assets before the FDA and European regulators. With over fifteen years' experience in an ASX and NASDAQ listed company, she has expertise in business development, capital raising, investor relations, regulatory affairs and intellectual property, together with corporate governance and compliance capabilities. Dianne holds a Masters degree in biotechnology and is a registered patent attorney.

Patrick Davies B EC, MBA (Non-Executive Director)

Patrick joined the Neuren Board in July 2018. He has held executive management roles in the Australian and New Zealand healthcare industry for over twenty five years having performed successfully in senior roles across many industry sectors including pharmacy, primary care, pharmaceutical and consumer products. During his ten year period as Chief Executive Officer of EBOS Group Limited (and previously Symbion), the enterprise value of the group achieved compound annual growth in enterprise value of +20% (from circa $450M to in excess of $3.1B). He is a director on other corporate boards and provides strategic advice to a range of healthcare businesses and investors.

Dr Jenny Harry BSc (Hons), PhD (Non-Executive Director)

Jenny joined the Neuren Board in 2018. She has 20 years' experience in executive management of companies in the biotechnology and biopharmaceutical sectors. As CEO and Managing Director of Tyrian Diagnostics, Jenny transformed the company from an R&D business to a diagnostics company and oversaw development of the company's first products through to commercialisation and early revenue generation. She is a graduate of the Harvard Business School General Manager Program and the Australian Institute of Company Directors. Jenny is currently Chair of QUT Enterprise Holdings and a non-executive director on the boards of Ondek Pty Ltd, QUTbluebox and Creative Enterprise Australia.

Interests Register

The Company is required to maintain an interests register in which particulars of certain transactions and matters involving Directors must be recorded. There were no entries during or since the end of 2019.

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 entered into a deed of indemnity, insurance and access with Directors and Officers, 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 indemnity does not cover criminal liability or liability in respect of a breach of a director's duty to act in good

faith and in what the director believes to be the best interests of the Company or a breach of any fiduciary duty owed to the Company or a subsidiary.

Donations
No donations were made by the Company or its subsidiary companies during the year (2018: $nil).

Remuneration of Directors
Remuneration of the Directors is shown in the table below.

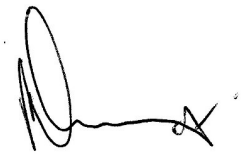
	2019 $'000	2018 $'000
Dr Richard Treagus	360	536
Larry Glass	-	310
Dr Trevor Scott	72	72
Dianne Angus	60	30
Patrick Davies	60	30
Dr Jenny Harry	60	30

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:

	2019 $'000	2018 $'000
$240,000 - $249,999	1	1
$270,000 - $279,999	1	1
$280,000 - $289,999	1	-
$410,000 - $419,999	-	1

Auditors
Grant Thornton New Zealand Audit Partnership ('Grant Thornton') is the independent auditor of the Company. Audit fees in relation to the annual and interim financial statements were $59,649 (2018: $58,538). Grant Thornton did not receive any other fees in relation to other financial advice and services. Grant Thornton Australia (member firm) received $15,000 fees in relation to other financial advice and services in 2018. No amounts were payable to an auditor by subsidiary companies in 2019 or 2018.

For and on behalf of the Board of Directors who authorised the issue of these consolidated financial statements on 25 February 2020.



Dr Richard Treagus
Chairman

Dr Trevor Scott
Director

Neuren Pharmaceuticals Limited
Consolidated Financial Statements
for the year ended 31 December 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Interest		389	218
Revenue from licence agreement		-	13,544
Foreign exchange gain		132	961
Australian R&D Tax Incentive		495	446
Total income		1,016	15,169
Research and development costs		(9,858)	(6,101)
Corporate and administrative costs		(1,713)	(2,074)
Losses on financial assets measured at fair value through profit or loss	9	(261)	(3,921)
(Loss) / Profit before income tax		(10,816)	3,073
Income tax	5	-	-
(Loss) / Profit after income tax		(10,816)	3,073
Other comprehensive loss, net of tax			
Amounts which may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(6)	(58)
Total comprehensive (loss) / income for the year		(10,822)	3,015
(Loss) / Profit after tax attributable to Equity holders of the Company:		(10,816)	3,073
Total comprehensive (loss) / profit attributable to Equity holders of the Company:		(10,822)	3,015
Basic (loss) / earnings per share	6	($0.108)	$0.031
Diluted (loss) / earnings per share	6	($0.108)	$0.031

The notes on pages 9 to 22 form part of these consolidated financial statements

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current Assets:			
Cash and cash equivalents	7	13,844	23,576
Trade and other receivables	8	552	942
Financial assets measured at fair value through profit or loss	9	-	2,121
Total current assets		14,396	26,639
Non-current assets:			
Property, plant and equipment		10	2
Intangible assets		-	1
Total non-current assets		10	3
TOTAL ASSETS		14,406	26,642
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	10	559	1,973
Total current liabilities		559	1,973
Total liabilities		559	1,973
EQUITY			
Share capital	11	126,426	126,426
Other reserves		(8,503)	(8,497)
Accumulated deficit		(104,076)	(93,260)
Total equity attributable to equity holders		13,847	24,669
TOTAL LIABILITIES AND EQUITY		14,406	26,642

The notes on pages 9 to 22 form part of these consolidated financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Share Capital	Share Option Reserve	Currency Translation Reserve	Accumulated Deficit	Total Equity
	$'000	$'000	$'000	$'000	$'000
Equity as at 1 January 2018	121,136	3,293	(10,625)	(97,440)	16,364
Shares issued in private placement	5,306				5,306
Share issue costs expensed	(16)				(16)
Transfer on exercise of options		(1,107)		1,107	-
Transactions with owners	5,290	(1,107)		1,107	5,290
Profit after income tax				3,073	3,073
Other comprehensive loss			(58)		(58)
Total Comprehensive income for the year			(58)	3,073	3,015
Equity as at 31 December 2018	**126,426**	**2,186**	**(10,683)**	**(93,260)**	**24,669**
Loss after income tax				(10,816)	(10,816)
Other comprehensive loss			(6)		(6)
Total Comprehensive loss for the year			(6)	(10,816)	(10,822)
Equity as at 31 December 2019	**126,426**	**2,186**	**(10,689)**	**(104,076)**	**13,847**

The notes on pages 9 to 22 form part of these consolidated financial statements

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities:			
Receipts from licence agreement		-	13,544
Receipts from Australian R&D Tax Incentive		450	631
Interest received		413	165
GST refunded		102	95
Payments for employees and directors		(1,742)	(1,909)
Payments to other suppliers		(10,942)	(6,118)
Net cash flow (to) / from operating activities		(11,719)	6,408
Cash flows from investing activities:			
Purchase of property, plant and equipment		(12)	-
Net cash used in investing activities		(12)	-
Cash flows from financing activities:			
Proceeds from the issue of shares	9	1,860	11,730
Payment of share issue expenses		-	(16)
Net cash provided from financing activities		1,860	11,714
Net (decrease) / increase in cash		(9,871)	18,122
Effect of exchange rate changes on cash balances		141	748
Cash and cash equivalents at the beginning of the year		23,576	4,706
Cash and cash equivalents at the end of the year		13,846	23,576
Reconciliation with (loss) / profit after income tax:			
(Loss) / Profit after income tax		(10,816)	3,073
Non-cash items requiring adjustment:			
Depreciation of property, plant and equipment		4	5
Amortisation of intangible assets		-	72
Foreign exchange gain		(144)	(806)
Loss on financial assets		261	3,921
Changes in working capital:			
Trade and other receivables		390	(250)
Trade and other payables		(1,414)	393
Net cash flow from operating activities		(11,719)	6,408

The notes on pages 9 to 22 form part of these consolidated financial statements

Neuren Pharmaceuticals Limited
Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. Nature of business

Neuren Pharmaceuticals Limited (Neuren or the Company, and its subsidiaries, or the Group) is a publicly listed biopharmaceutical company developing drugs for neurological disorders.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2020.

Inherent Uncertainties

- 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 yet to be proven technology; the Group's ability to sufficiently complete the clinical trials process; and technological developments by the Group's competitors could render its products obsolete.

- The Group's revenue from licence agreements is contingent on future events and will be intermittent until product sales commence. The business plan therefore may require expenditure in excess of revenue and in the future the Group 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 Group.

2. Summary of significant accounting policies

These general-purpose consolidated financial statements of the Group are for the year ended 31 December 2019 and have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board which comply with International Financial Reporting Standards, the requirements of the Financial Markets Conduct Act 2013, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities that fall into Tier 1 as determined by the New Zealand External Reporting Board.

(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 2019 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.

Statutory Base

Neuren is registered under the New Zealand Companies Act 1993. Neuren is also registered as a foreign company under the Australian Corporations Act 2001.

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention as modified by certain policies below. Amounts are expressed in Australian Dollars and are rounded to the nearest thousand, except for earnings per share.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 17.

Going concern basis

The directors monitor the Group's cash position and initiatives to ensure that adequate funding continues to be available for the Group to meet its business objectives. The Group recorded a loss after tax of $10.8 million for the year ending 31 December 2019 and had negative operating cash flows of $11.7 million for the year ended 31 December 2019. The Group had net assets at 31 December 2019 of $13.8 million, including cash balances of $13.8 million.

It is the considered view of the Directors that the Group will have access to adequate resources to meet its ongoing obligations for at least a period of 12 months from the date of signing these financial statements. On this basis, the Directors have assessed it is appropriate to adopt the going concern basis in preparing its consolidated financial

statements. The consolidated financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Changes in accounting policies
There is no significant impact of changes in accounting policies for the year ended 31 December 2019. The Group adopted NZ IFRS 16 'Leases' as at 1 January 2019. The Group does not have any qualifying lease agreements, therefore there is no impact on the consolidated financial statements for the current year.

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. None are expected to impact the 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) Foreign Currency Translation
(i) Functional and Presentation Currency
The functional currency of the Company and the presentation currency of Group is Australian Dollars.

(ii) Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- revenue 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.

(d) Revenue
Revenue arises mainly from grants received and interest. In the prior reporting period revenue from licence agreements was recognised in relation to the partnering agreement signed with ACADIA Pharmaceuticals Inc ("ACADIA").
Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Grants
Grants received are recognised in profit or loss within the Statement of Comprehensive Income over the periods in which the related costs for which the grants are intended to compensate are recognised as 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.

Revenue from licence agreements
The revenue from the ACADIA license agreement recognised in the prior year was a Phase II reimbursement fee and was recognised as a separate performance obligation as it is distinct from all the other obligations within the Acadia

licence agreement. The revenue from this performance obligation was recognised at a point in time when Neuren had transferred its intellectual property to ACADIA and Neuren had an enforceable right to receive payment.

(e) 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.

(f) 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 or substantively enacted at the reporting 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 reporting 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.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. All non-financial assets are also 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 value less costs of disposal and value in use of the long-lived asset. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved.

(h) 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.

(i) 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.

(j) Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group assesses trade receivables on an individual basis, and uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

(k) 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 Group 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

(l) Intangible assets

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.

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.

(m) Employee benefits

Wages and salaries, annual leave, long service leave and superannuation

Liabilities for wages and salaries, bonuses, annual leave, long service leave and superannuation 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.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when the obligation to pay them arises.

Share-based payments

Neuren has operated a loan funded share plan and equity performance rights plan. Both plans are accounted for as share options. 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 reporting date, except for options that are subject to a market condition for vesting, 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.

(n) 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.

(o) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15 'Revenue from contracts with customers', all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).
In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:
• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.
Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss within the Statement of Comprehensive Income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(p) Financial liabilities
The Group's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.
Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

(q) 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 and incurs expenses through the development of pharmaceutical products. Grant income arises from the Australian R&D Tax Incentive and revenue from licence agreements is derived from the United States. The Board of the Company has been identified as the chief operating decision maker. The Board assesses the financial performance and position of the group, and makes strategic decisions.

4. Expenses

	2019 $'000	2018 $'000
Loss / (Profit) before income tax includes the following expenses:		
Depreciation – property, plant and equipment		
Computer equipment	4	4
Fixtures and fittings	-	1
Total depreciation	4	5
Amortisation – intangible assets		
Intellectual property	-	73
Total amortisation	-	73
Remuneration of auditors		
Audit and review of financial statements (Grant Thornton NZ)	60	59
Advisory services (Grant Thornton Australia - member firm)	-	15
Audit and review of financial statements (PwC)	-	67
Total remuneration of auditors	60	141
Employee benefits expense		
Short-term benefits	754	1,031
Post-employment benefits	70	73
Other employee benefits expenses	75	-
Total employee benefits expense	899	1,104
Directors' compensation		
Short-term benefits	602	1,003
Post-employment benefits	10	5
Total Directors' compensation	612	1,008

5. Income tax

	2019 $'000	2018 $'000
Income tax		
Current tax	-	-
Deferred tax	-	-
	-	-
Numerical reconciliation of income tax to prima facie tax receivable:		
(Loss) / Profit before income tax	(10,816)	3,073
Tax at applicable rates 27.5% (2018: 27.5%)	(2,974)	845
Non-taxable Australian R&D Tax Incentive income	(136)	(123)
Non deductible expenses for R&D incentive	310	282
Non-taxable loss in fair value of equity derivative	72	1,078
Taxable (loss) / gain on settlement of equity derivative	(268)	728
Utilisation of previously unrecognised tax losses	-	(2,710)
Deductible temporary differences and tax losses for which no deferred tax asset was recognised	2,996	(100)
Income tax benefit	**-**	**-**
Gross tax losses for which no deferred tax asset has been recognised (a)	100,883	88,914

(a) Of these gross tax losses, $64.6 million relates to New Zealand tax losses, which are unlikely to be utilised unless future taxable income is generated in New Zealand.

6. Earnings per share

The Group has potentially dilutive ordinary shares in the form of loan funded shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the exercise price attached to the outstanding loan funded shares. The number of loan funded shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the loan funded shares. In 2019, the loan funded shares are excluded from the diluted weighted average shares outstanding as they are anti-dilutive.

	2019	2018
(Loss) / Profit after income tax attributable to equity holders (basic) ($'000)	(10,816)	3,073
Weighted average shares outstanding (basic) (No.)	100,168,413	99,038,854
Basic (loss) / earnings per share	($0.108)	$0.031
(Loss) / Profit after income tax attributable to equity holders (diluted) ($'000)	(10,816)	3,073
Weighted average shares outstanding (diluted) (No.)	100,168,413	99,751,382
Diluted (loss) / earnings per share	($0.108)	$0.031

7. Cash and cash Equivalents

	2019	2018
	$'000	$'000
Cash	820	3,738
Demand and short-term deposits	13,024	19,838
	13,844	23,576

8. Trade and other receivables

	2019	2018
	$'000	$'000
Trade receivables	13	423
Other receivables	15	16
Interest receivables	33	57
Australian R&D tax incentive	491	446
	552	942

The Group applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.
In measuring the expected credit losses, the trade receivables have been assessed on an individual basis due to the limited number of receivables.

The expected loss rates are based on the payment profile of the individual receivable and other transactions with that debtor over the past 12 months before 31 December 2019 as well as the corresponding historical credit losses during that period.

Trade receivables are written off (i.e. de-recognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst others are considered indicators of no reasonable expectation of recovery. No credit losses have been determined for the current year (2018: nil).

9. Financial Assets measured at fair value through profit or loss

	2019	2018
	$'000	$'000
Current		
Equity derivative	-	2,121

Reconciliation of the fair values at the end of the current financial year are set out below:

	2019	2018
	$'000	$'000
Opening fair value	2,121	12,466
Cash settlements received	(1,860)	(6,424)
Net loss through profit or loss	(261)	(3,921)
Closing fair value	-	2,121

Financial instruments classified under the equity derivative were measured at fair value using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. These financial assets were classified as level 2. Fair value calculations were based on a discounted cash flow model.

In July 2017, Neuren completed a placement of new ordinary shares, the subscribers for which included Lanstead Capital. Neuren entered into a Sharing Agreement with Lanstead Capital, under which Neuren's economic interest was an equity derivative, determined and payable in 18 cash settlements commencing in September 2017. The arrangement concluded in June 2019 with the final settlement received in July 2019.

The aggregate amount received from Lanstead Capital throughout the course of the arrangement was $12.2 million, compared with the commitment of $10.0 million in the placement. This delivered to Neuren additional cash funding of $2.2 million, with no additional shares issued to Lanstead Capital.

The calculation of each monthly settlement was dependent upon the volume weighted average price at which Neuren's shares were traded during the 20 days prior to settlement (VWAP). If the VWAP for each settlement was equal to $1.77 per share (Benchmark Price), Neuren received $472,222 (one eighteenth of $8.5 million). For each settlement, if the VWAP was higher than the Benchmark Price, Neuren received proportionately more than $472,222 and if the VWAP was lower than the Benchmark Price, Neuren received proportionately less than $472,222.

The key assumption for the calculation of the fair value of the equity derivative was the estimated VWAP applicable to each settlement. For the fair value at 31 December 2018, the VWAP was assumed to be $1.40 per share which was the closing price on 31 December 2018. The fair value calculations were adjusted to reflect the time value of money and the estimated credit risk associated with the counterparty.

10. Trade and other payables

	2019	2018
	$'000	$'000
Trade payables	340	1,335
Accruals	26	83
Employee Benefits	193	555
	559	1,973

Trade payables and accruals relate to operating expenses, primarily research and development expenses. Trade payables comprise amounts invoiced prior to the reporting date and accruals comprise the value of work done but not invoiced at each reporting date.

11. Share Capital

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Issued Share Capital				
Ordinary shares on issue at beginning of year	102,668,413	101,840,020	126,426	121,136
Shares bought back under Loan Funded Share Plan	-	(501,607)	-	-
Shares issued in private placement	-	1,330,000	-	5,306
Share issue expenses - cash issue costs	-	-	-	(16)
	102,668,413	**102,668,413**	**126,426**	**126,426**

In May 2018 Neuren issued 1,330,000 ordinary shares at A$4.00 per share, which was a premium of approximately 33% over the 10-day volume-weighted average share price, under the terms of an Exclusivity Deed that provided for exclusive negotiations with ACADIA for a period of 3 months.

At 31 December 2019 and 31 December 2018, 2.5 million ordinary shares were held as treasury stock in respect of the Loan Funded Share Plan described in section (a) below.

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.

Share based payments
No securities were issued under any share based payment plans in 2019 or 2018. At 31 December 2019 and 2018, all services required for instruments issued under share based payment plans had been received. There were no equity-settled share based payments expensed in the Statement of Comprehensive Income in 2019 or 2018.

Loan funded shares
The Company has 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. On request by the participant, the Company may dispose of, or buy back, vested shares and utilise the proceeds to settle the outstanding loan. The directors may apply vesting conditions to be satisfied before the shares can be transferred to the Participant. Before the loan can be given, the New Zealand Companies Act requires the Company to disclose to shareholders the provision of financial assistance to the Participant. The maximum loan term is 5 years.

All shares issued under the plan were 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.

Movements in the number of Loan Funded Shares were as follows:

	Loan Funded Shares	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
Issued shares at 1 January 2018	4,500,000	$1.320	2,000,000	$0.78
Exercised	(2,000,000)	$0.780	(2,000,000)	$0.78
Issued shares at 31 December 2018 and 31 December 2019	2,500,000	$1.76		
Forfeited at 31 December 2019	(1,500,000)	$1.84		
Unvested at 31 December 2019	1,000,000	$1.64	-	

The loans in respect of 1.5 million Loan Funded Shares expired in May 2019, with the share price at that time below the exercise price of $1.84. The Loan Funded Shares were therefore forfeited and are to be bought back by the Company at the amount of the loans and cancelled.

The exercise price for 1.0 million unvested Loan Funded Shares is $1.64 per share. The directors deferred making a determination on the vesting conditions until the loan expiry date in April 2020, or an earlier date as determined by the directors.

On 30 May 2018 the Company bought back 501,607 ordinary shares from Neuren Trustee Limited at the volume weighted average price for the 5 days ended 29 May 2018 in order to settle the outstanding loan of $1,560,000 relating to 2,000,000 vested Loan Funded Shares held in trust pending repayment of the loan. The remaining 1,498,393 shares were transferred from Neuren Trustee Limited to the participant.

12. 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
Neuren Pharmaceuticals Inc.	20-Aug-02	Development services	100%	USA
Neuren Pharmaceuticals (Australia) Pty Ltd	9-Nov-06	Dormant	100%	AUS
Neuren Trustee Limited	29-May-13	Holds loan funded shares	100%	NZ

All subsidiaries have a reporting date of 31 December.

13. Commitments and contingencies

(a) Operating leases

There were no aggregate future non-cancellable minimum lease payments for premises committed to by the Group, but not recognised in the consolidated financial statements as at 31 December 2019 or 31 December 2018.

(b) Legal claims

The Group had no significant legal matter contingencies as at 31 December 2019 or at 31 December 2018.

(c) Commitments

The Group was not committed to the purchase of any property, plant or equipment or intangible assets as at 31 December 2019 (2018: nil).

At 31 December 2019, the Group had commitments under product development contracts amounting to approximately $6.6 million, comprising approximately US$4.0 million and approximately GBP 0.5 million. At 31 December 2018, the Group had commitments under product development contracts amounting to approximately $12.4 million.

(d) Contingent liabilities

The Group had no contingent liabilities at 31 December 2019 or at 31 December 2018 that require disclosure.

14. 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:

	2019 $'000	2018 $'000
Short-term benefits	1,345	1,867
Post-employment benefits	62	60
Other long-term benefits	71	-
	1,478	1,927

In 2018 the Company bought back 501,607 ordinary shares from Neuren Trustee Limited at the volume weighted average price for the 5 days ended 29 May 2018 in order to settle the outstanding loan of $1,560,000 relating to 2,000,000 vested Loan Funded Shares held in trust for KMP pending repayment of the loan. The remaining 1,498,393 shares were transferred from Neuren Trustee Limited to KMP.

(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 12. All amounts due between entities in the Group are payable on demand and bear no interest.

15. Events after reporting date

As at the date of these consolidated financial statements authorised for issue, there are no events arising since 31 December 2019 that require disclosure.

16. Financial instruments and risk management

(a) Categories of financial instruments

		At amortised cost		At fair value through profit or loss	
Financial assets		Floating Interest Rate	Non-Interest Bearing	Non-Interest Bearing	Total
2019		$'000	$'000	$'000	$'000
Cash and cash equivalents	7	13,844	-	-	13,844
Trade and other receivables	8	-	552	-	552
Total financial assets		13,844	552	-	14,397
2018					
Cash and cash equivalents	7	23,576	-	-	23,576
Trade and other receivables	8	-	942	-	942
Equity derivative	9	-	-	2,121	2,121
Total financial assets		23,576	942	2,121	26,639

Financial liabilities		**2019**	**2018**
Amortised cost - Non-Interest Bearing:		**$'000**	**$'000**
Trade and other payables		559	1,973
Total financial liabilities	10	559	1,973

At 31 December 2019, the reporting value of all financial instruments approximated to the fair value.

(b) Risk management

The Group is subject to a number of financial risks which arise as a result of its activities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

During the normal course of business the Group enters 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 Group holds cash denominated in US dollars and Australian dollars and has material expenditure in each of these currencies. Where possible, the Group matches foreign currency income and foreign currency expenditure as a natural hedge, holding foreign currency cash to facilitate this natural hedge. When foreign currency expenditure exceeds foreign currency revenue and foreign currency cash, the group purchases foreign currency to meet anticipated requirements under spot and forward contracts. The Group does not designate formal hedges. At 31 December 2019, there were no forward contracts outstanding (2018: None).

During the year, the US dollar fluctuated against the Australian dollar. A foreign exchange gain of $132,000 is included in results for the year ended 31 December 2019 (2018: gain $961,000). The majority of the gain relates to gains on the translation for reporting purposes of the Group's US dollar cash reserves into Australian dollars.

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

	2019 $'000	2018 $'000
Assets		
US dollars	8,084	15,818
Liabilities		
US dollars	180	572

An increase of 10% in the cross rate of the US dollar against the Australian dollar as at the reporting date would have increased the consolidated loss after income tax by $719,000. A decrease of 10% in the cross rate of the US dollar against the Australian dollar as at the reporting date would have decreased the consolidated loss after income tax by $878,000.

Interest rate risk
The Group is 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:

Financial Assets	2019 $'000	2018 $'000
Cash and cash equivalents		
Australian dollar cash deposits	5,773	5,625
Australian dollar interest rate	1.54%	2.46%
US dollar cash deposits	8,071	15,800
US dollar interest rate	1.73%	2.32%

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 loss after tax by approximately $39,000 and in 2018 changed reported profit after tax by approximately $22,000.

Credit risk
The Group incurs credit risk from transactions with financial institutions. The total credit risk on cash and cash equivalents, which have been recognised in the statement of financial position, is the carrying amount. The Company and its subsidiaries do not retain any collateral or security to support transactions with financial institutions. Cash and cash equivalents are held and transacted with National Australia Bank, Western Union and Sonabank.

Liquidity risk
The Group's financial liabilities, comprising trade and other payables, are generally repayable within 1 – 2 months. The maturity and availability of financial assets, comprising cash and cash equivalents, receivables and monthly cash settlements from the equity derivative up to June 2019, are monitored and managed to ensure financial liabilities can be repaid when due.

Capital risk
The Group manages its capital, which is its equity, to ensure that the Group entities are able to meet their estimated commitments as they fall due. In this regard, the Company raised additional equity capital during 2018, as described in note 11. Capital risk is impacted by the inherent uncertainties described in note 1.

17. Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as discussed below.

The Group's research and development activities are eligible under the Australian R&D Tax Incentive. The Group has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 31 December 2019 the Group has recorded other revenue of $0.5 million (2018: $0.4 million).

The Group has assessed that all research and development expenditure to date does not meet the requirements for capitalisation as an intangible asset because it is not yet probable that the expected future economic benefits that are attributable to the asset will flow. The Group's current assessment is that future expenditure will not meet that requirement prior to the approval of a New Drug Application by the US Food and Drug Administration.

The Group is subject to income taxes in Australia because it is domiciled in that country. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Additional Information

Directors' interests in equity securities as at 24 February 2020

	Interests in Ordinary Shares	
Director	**Direct**	**Indirect**
Richard Treagus	1,979,163	105,517
Trevor Scott	1,000,000	2,989,784
Dianne Angus	-	-
Patrick Davies	-	69,646
Jenny Harry	-	14,084

Directors of subsidiary companies at 31 December 2019

	Richard Treagus	Larry Glass	Trevor Scott
Neuren Pharmaceuticals Inc.	√	√	
Neuren Pharmaceuticals (Australia) Pty Ltd	√	√	
Neuren Trustee Limited			√

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 under New Zealand law are as follows:

(a) In general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers and overseas investment.

(b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition of a shareholder holding 90% or more of the shares.

(c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas interests. In general terms, the consent of the New Zealand Overseas Investment Office may be required where an 'overseas person' acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

Equity securities information

The Company has only one class of shares, being ordinary shares. Each ordinary share is entitled to one vote when a poll is called; otherwise on a show of hands at a shareholder meeting every member present in person or by proxy has one vote. There are no securities subject to escrow and there is no current on-market buy-back of securities.

The following information is based on share registry information processed up to and including 24 February 2020.

The number of ordinary shareholdings held in less than marketable parcels at 24 February 2020 was 422, holding 21,422 ordinary shares.

ADDITIONAL INFORMATION (continued)

Distribution of security holders

Ordinary shares

Size of holding	Number of ordinary shares	%	Number of holders	%
100,001 and Over	70,961,575	69.12	116	2.46
10,001 to 100,000	22,888,849	22.29	779	16.49
5,001 to 10,000	3,879,567	3.78	498	10.54
1,001 to 5,000	4,146,215	4.04	1,524	32.25
1 to 1,000	792,207	0.77	1,808	38.26
Total	**102,668,413**	**100.00**	**4,725**	**100.00**

Twenty largest holders of ordinary shares

Twenty Largest Holders of ordinary shares:	Number of ordinary shares	% of issued share capital
AUCKLAND TRUST COMPANY LIMITED	14,267,119	13.90%
CAMERON RICHARD PTY LTD	5,800,831	5.65%
CITICORP NOMINEES PTY LIMITED	5,033,510	4.90%
STUART ANDREW PTY LTD	2,953,885	2.88%
ESSEX CASTLE LIMITED	2,769,251	2.70%
LINWIERIK SUPER PTY LTD	2,530,000	2.46%
NEUREN TRUSTEE LIMITED [1]	2,500,000	2.44%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,213,121	2.16%
SMITHLEY SUPER PTY LTD	2,121,000	2.07%
DR RICHARD SPENCER TREAGUS	1,979,163	1.93%
INVESTMENT CUSTODIAL SERVICES LIMITED	1,480,587	1.44%
MXB INVESTMENTS LLC	1,330,000	1.30%
BRISPOT NOMINEES PTY LTD	1,221,271	1.19%
DR TREVOR SCOTT	1,000,000	0.97%
DR ROBIN LANCE CONGREVE	991,637	0.96%
CS FOURTH NOMINEES PTY LIMITED	936,612	0.91%
CS THIRD NOMINEES PTY LIMITED	762,362	0.74%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	731,875	0.71%
UBS NOMINEES PTY LTD	676,586	0.66%
FIRST COLBYCO PTY LTD	624,649	0.60%
Total	**51,923,459**	**50.57%**
Balance of share register	**50,774,954**	**49.43%**
Total issued share capital	**102,668,413**	**100.00%**

[1] Neuren Trustee Limited holds shares under the Loan Funded Share Plan, as described in note 11 to the Consolidated Financial Statements.

Independent Auditor's Report

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To the Shareholders of Neuren Pharmaceuticals Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Neuren Pharmaceuticals Limited (the "Company") and its subsidiaries (the "Group") on pages 5 to 22 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)") issued by the New Zealand Audit and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why matter is significant	How our audit addressed the key audit matter
Going concern The financial statements have been prepared on a going concern basis, refer to note 2 in the financial statements. The Group made a loss of $10.8m for the year ended 31 December 2019 and it has not forecast to receive any revenue in the next 12 months as research and development continues. We included the going concern assumption as a key audit matter as the Group is reliant on the existing cash reserves of $13.8m to cover necessary expenditure.	In obtaining sufficient appropriate audit evidence to assess the appropriateness of the going concern assumption used in preparing the consolidated financial statements we: • Assessed the cash flow requirements of the Group over 14 months from 31 December 2019 based on approved budgets and forecasts. • Evaluated what forecast expenditure is committed and what could be considered discretionary. • Performed a sensitivity analysis on forecast cash flows and the impact of this on available funds.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the directors' report and additional information (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the annual report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body those matters which we are required to state to them in an auditor's 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 its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

Grant Thornton

Ryan Campbell
Partner
Auckland

25 February 2020