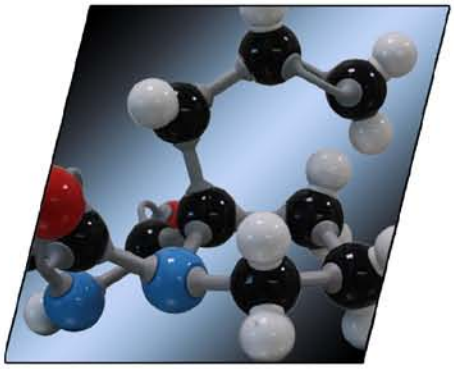

2010

ANNUAL REPORT

Neuren Pharmaceuticals Limited

ARBN 111 496 130

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Neuren Pharmaceuticals Limited

Contents

The Board of Directors is pleased to present the Annual Report of Neuren Pharmaceuticals Limited for the year ended 31 December 2010, authorised by it on 30 March 2011.

For, and on behalf of, the Board

Dr Robin Congreve
Chairman

Dr Trevor Scott
Director

30 March 2011

Corporate Directory

Company
Neuren Pharmaceuticals Limited
ARBN 111 496 130

Corporate Head Office
Level 2, 57 Wellington Street,
Freemans Bay, Auckland, New Zealand
Tel: +64 9 3700 200

Australian Registered Office
Level 13, 122 Arthur Street,
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Directors
Dr Robin Congreve
Dr John Holaday
Dr Graeme Howie
Dr Trevor Scott
Dr Douglas Wilson

Company Secretary
Mr Robert Waring

Auditors
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188 Quay Street
Private Bag 92162
Auckland, New Zealand

Share Registry
Link Market Services Limited
Level 9, 333 Collins Street
Melbourne, Victoria 3000
Australia
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Fax: +61 3 9615 9900

Stock Exchange Listing
ASX Limited
ASX Code: NEU

Website
www.neurenpharma.com

Neuren Pharmaceuticals Limited

Chief Executive's Report

During 2010, we concentrated our resources and energies on the NNZ-2566 program for traumatic brain injury (TBI) in collaboration with the US Army; the Motiva® program for post-stroke psychiatric indications; the research and development activities of Perseis Therapeutics, our oncology subsidiary; and pursuing additional opportunities for NNZ-2566. We accomplished a number of key milestones including:

- Successful initiation of the INTREPID-2566 Phase 2 trial of NNZ-2566 in patients with moderate to severe TBI
- Additional support from the US Army for the NNZ-2566 program bringing the total commitment to approximately US$22.8 million
- Completion of the Phase 1 safety and pharmacokinetics trial of NNZ-2566 in female volunteers
- Initiation of the oral formulation development program for NNZ-2566 for treatment of mild TBI and other indications
- Initiation of reproductive toxicology studies and other safety studies of NNZ-2566
- Establishment of a research collaboration on NNZ-2566 with the Rett Syndrome Research Trust
- Initiation of the Phase 2 trial of Motiva® to treat apathy in stroke patients at the University of Western Australia
- Award of a NZ$250,000 grant to Perseis to enable expansion of the antibody discovery program
- Issuance of several important patents and significant progress on key patent applications

NNZ-2566 Development Program

The NNZ-2566 program progressed dramatically during 2010. The first clinical trial site at the University of Miami became active in late April and enrolled the first patient in early June. By the end of the year, 11 sites had been activated. At this point, all patients who have been enrolled in the study have survived the injury and most have been discharged from intensive care. Including both the Phase 1 safety studies and the Phase 2 trial, NNZ-2566 has now been administered to approximately 80 people with no drug-related serious adverse events (SAEs) reported in any of the trials. To this point, the drug has been well-tolerated and the excellent safety profile developed in preclinical studies appears to be carrying over to humans as well. Because of the absence of reported drug-related SAEs in the Phase 2 trial thus far, the independent Data Safety and Monitoring Committee (DSMC) is recommending that the clinical trial protocol be amended to accelerate the interim safety review of the first cohort with data on the first twenty-four patients rather than the first 30 patients as initially planned. Providing that no safety concerns emerge following this review, the DSMC recommendation includes immediate progression to the next higher dose cohort following completion of enrolment into cohort 1. The protocol amendment incorporating these updates is presently being prepared for regulatory submission together with the DSMC letter of recommendation.

Patient enrolment had been expected to begin slowly and to ramp up as new sites were added and study investigators became more familiar with the protocol. At this point, however, the rate at which enrolment is increasing is below expectations. Twenty-four patients have been enrolled to date. This slower than anticipated pace has resulted primarily from competing clinical trials (two large trials of progesterone in TBI patients) and the challenge of obtaining informed consent from a family member (Legally Authorised Representative—LAR) within the established time window. To date, approximately 40% of otherwise eligible patients were not enrolled due to the unavailability of an LAR. Only four eligible patients have not been enrolled because an LAR declined. In response, the Company is increasing the total number of sites from 12 to 18, expanding the eligible age range from 18-70 years to 16-75 years, and seeking exception from informed consent (EFIC) under FDA and Institutional Review Board (IRB) guidance documents. EFIC will allow investigators to enrol patients if an LAR is not present prior to the scheduled start of drug administration. Approximately 15% of patients screened have been between 16-18 or 70-75 years old. Three new sites in the US are nearing activation and five centres in Australia have been selected to participate. The costs associated with increasing the number of participating clinical centres and obtaining EFIC will be covered by an additional US$1.6 million in incremental funding from the US Army. This brings the total commitment to approximately US$22.8 million.

The Phase 1 safety and PK study in females reinforced the excellent safety profile of NNZ-2566 and confirmed the ability of the buffer solution to avoid infusion site reactions. With successful completion of the Phase 1 safety and PK study in females, we submitted a revised protocol to the FDA, the US Army's Human Research Protection Office (HRPO) and Neuren's IRB to include female patients in the trial. The amended protocol has been accepted by FDA and approved by the Company's IRB and we expect to begin enrolling female patients shortly. Approximately 25% of patients screened in the study have been female. We are confident that the measures outlined above will significantly increase the pace of enrolment to at least that of the original plan. We are now forecasting that enrolment will be completed and results announced by no later than the end of 2012.

Neuren also has initiated an oral formulation development program for NNZ-2566. In a published paper by Neuren scientists and colleagues[1], NNZ-2566 administered orally three hours following an experimental stroke in rats significantly reduced brain damage. The Company previously had planned to develop a microemulsion for the drug however, in studies conducted in late 2010 and completed in early 2011, we found that a simple water-based (aqueous) formulation provides superior blood levels of the drug sooner after administration and is not affected by food intake. This is a very important development for a number of reasons:

- An aqueous product can be shipped and stored as a powder for reconstitution with water which will make it more suitable for use outside of a hospital as well as reduce manufacturing costs and improve shelf life.
- Development and validation of an aqueous formulation will require less time and lower R&D expenditures.
- Because NNZ-2566 is highly soluble in water, the total volume per dose will be lower which should reduce the risk of nausea and vomiting that can be a problem for patients with mild TBI and other neurological conditions.
- The bridging toxicology studies will be simpler, focused predominantly on gastrointestinal effects, and the overall toxicity profile for an oral form will largely be defined by data already submitted to the FDA from previously completed intravenous studies.
- Simple aqueous solutions are generally more suitable for formulation into a solid dosage form such as tablets or capsules.

We are currently planning to complete the required toxicology and Phase 1 safety/PK studies for the oral formulation by Q4 2011 and to submit a protocol for a Phase 2 clinical trial in patients with mild TBI in late 2011. This Phase 2 trial is currently being designed in coordination with an advisory committee comprising academic experts and regulatory advisors and including input from US Army neuroscientists. Mild TBI represents a serious public health problem and a very large market with more than 800,000 cases per year in the US alone. With more than 70% of military TBI classified as mild, it also is a very high priority for the US Army which has provided US$2.9 million in additional funding to support the oral development program. An oral formulation for use in patients with mild TBI also would be applicable to other indications where oral dosing is preferred. These might include Rett Syndrome and other autism spectrum disorders, prophylactic neuroprotection following a stroke or transient ischaemic attack and prevention of hearing loss caused by chemotherapy or certain antibiotics.

The FDA has indicated that with sufficiently positive results from the current Phase 2 trial, the Company could apply for approval of NNZ-2566 as a new drug after a single Phase 3 trial. The Company has begun work on the studies and other tasks that will be necessary to initiate the Phase 3 trial. These include additional safety pharmacology studies, reproductive toxicology studies and a cardiovascular safety study. Funding for these activities is included in the grant from the US Army. The additional safety studies include analysis of protein binding, liver enzyme (Cytochrome P-450) inhibition and interaction with transporter molecules. The safety studies have all been completed and confirm that there are no safety or toxicity related concerns in these areas. The reproductive toxicology studies in animals are scheduled to be initiated later this year.

Undertaking these studies in parallel with the Phase 2 trials has enabled us to develop a plan to accelerate late-stage clinical development with the goal of initiating the Phase 3 trial almost immediately following the Phase 2, if the results from the Phase 2 trial are positive, with most of the regulatory requirements for the Phase 3 trial already met. The Company is engaged in discussions with potential partners and expects that the outcome of those discussions will become clear around the time that the Phase 2 trial is completed. We believe that the accelerated clinical development strategy adds significant value to the program even before the Phase 3 study commences. Our plan is to evaluate NNZ-2566 as an intravenous treatment for moderate to severe TBI concurrently with oral administration of the drug in patients with mild TBI. To the best of our knowledge, this is the first program to address TBI as a single indication across all degrees of severity. Mild and moderate TBI represent the vast majority of cases and often are associated with significant cognitive and other disabilities.

The preclinical and Phase 1 safety studies with NNZ-2566 that led to approval of the IND and the current trial also enable potential use of the drug in conditions unrelated to TBI. One such indication is Rett Syndrome, a very severe and the most physically disabling form of the autism spectrum disorders. There is no approved drug for Rett Syndrome which occurs in approximately 1 of 10,000 female children worldwide. Rett Syndrome is caused by a mutation in a gene designated MeCP2. Different mutations in that gene also are believed to be associated with other autism spectrum and related developmental disorders. Researchers at the Massachusetts Institute of Technology have discovered that the n-terminal tripeptide of IGF-1

[1] Bickerdike et al. NNZ-2566: A Gly-Pro-Glu analogue with neuroprotective efficacy in a rat model of acute focal stroke. *Journal of the Neurological Sciences* 2009.

(Glypromate) partially reverses symptoms in a mouse model of Rett Syndrome[2]. Any treatment for Rett Syndrome in humans would be life long and an oral formulation would clearly be the most desirable means of administering a drug. Since NNZ-2566 is an analogue of Glypromate and has been shown to be orally available and active, we are presently evaluating whether NNZ-2566 offers promise as a therapy for Rett Syndrome. To that end, we established a research collaboration with the Rett Syndrome Research Trust (RSRT; http://rsrt.org) to evaluate NNZ-2566 in an established mouse model. This evaluation is being conducted at no cost to Neuren and we retain all rights to the use of NNZ-2566 in this field. Preliminary results from a single dose study have shown an improvement in survival and long-term potentiation, a measure of signal transmission between neurons that is associated with memory. If these results are confirmed and once the most effective dose has been identified, the Company will seek to develop NNZ-2566 for Rett Syndrome with grant funding or through a commercial partnership. We are in active discussions with a number of third parties concerning establishment of a collaborative or licensing agreement.

Motiva®

In late 2007, Neuren acquired rights to Motiva® through the purchase of Hamilton Pharmaceuticals. Motiva®, or nefiracetam, is a small molecule that belongs to a class of compounds called acetams, which includes approved drugs with sales of approximately €1 billion in 2010. Motiva® has already been tested in over 1,700 patients in Phase 1, 2 and 3 trials in Japan, the US and Canada and has an excellent safety profile. Motiva® has shown efficacy in a range of neuropsychiatric outcomes in six Phase 2 and 3 trials in post-stroke patients. In a Phase 2b trial in patients with post-stroke depression conducted in the US and Canada under a US IND, a very significant effect was observed in patients who also were diagnosed with apathy using the validated Apathy Scale (51.1% of patients)[3] . The trial was the first randomised, placebo-controlled study to show a significant effect of a pharmacologic intervention on apathy. The most severely depressed patients also showed a significant improvement in depressive symptoms although the effect across all patients was not statistically significant[4].

Apathy is a dysmotivational syndrome that manifests as a lack of interest, feeling, emotion or concern. Symptoms include diminished initiation and poor persistence of activity, lack of interest, indifference, low social engagement and blunted emotional responses. Although apathy has long been documented in the medical literature, due to accelerating research in the 1990s, it is now becoming widely recognized as a common neuropsychiatric disorder distinguishable from cognitive disorders such as dementia and mood disorders such as depression in much the same way that depression and anxiety have become diagnosable and pharmacologically addressable disorders. Apathy frequently occurs in patients who have had a stroke or traumatic brain injury as well as in those with chronic progressive neurodegenerative conditions such as Alzheimer's and Parkinson's disease. Apathy also complicates a broad range of other CNS conditions including depression, schizophrenia, brain tumors and infection. Taken together, it has been estimated that Apathy Syndrome affects some 10 million people in the US alone.

Patient Population	Prevalence of Apathy
Stroke	35%
Traumatic Brain Injury	50%
Alzheimer's disease	55%
Cognitive Impairment	40%
Major Depression	20%
Schizophrenia	67%
Parkinson's disease	40%

Source: BioStrategies, 2005 (prepared for Hamilton Pharmaceuticals)

Apathy can have a devastating impact on social and occupational function. With moderate to severe apathy, patients become unable to conduct activities of daily living involving basic functions like bathing, dressing, eating, getting in or out of bed or chairs, walking and using the toilet. The clinical consequences of apathy result in longer hospitalizations, poorer rehabilitation outcomes, greater disability, earlier institutionalization and increased caregiver stress. Not surprisingly, apathy has been associated with both a poor outcome of illness and a poor response to treatment. The economic and emotional consequences of apathy are burdensome not only to patient and caregiver but also to society. During the past two decades, generally accepted diagnostic criteria have evolved for apathy. Apathy rating scales have also been created and

[2] Tropea et al. Partial reversal of Rett Syndrome-like symptoms in MeCP2 mutant mice. *Proceedings of the National Academy of Sciences* 2009.
[3] Robinson et al. Double-blind treatment of apathy in patients with post-stroke depression using nefiracetam. *Journal of Neuropsychiatry and Clinical Neurosciences* 2009.
[4] Robinson et al. Double-blind randomized treatment of post-stroke depression using nefiracetam. *Journal of Neuropsychiatry and Clinical Neurosciences* 2008.

validated in various neurological and psychiatric populations, including major depression, Alzheimer's disease, stroke and Parkinson's disease.

Despite the high prevalence of apathy, current treatment options are limited, as there are no FDA-approved drugs for this disorder. At present, some physicians use stimulants (methylphenidate and dextroamphetamine) off-label despite limited evidence of efficacy. Dopamine agonists have also been proposed for the treatment of apathy, especially in Parkinson's disease patients, but again with limited data and no randomized, placebo-controlled trials. Acetylcholinesterase inhibitors have been used to treat apathy in patients with Alzheimer's disease, albeit with little if any documented success. Commonly occurring adverse effects further limit use of these drugs.

In March 2010, we announced that a Phase 2 trial of Motiva® in 122 patients with post-stroke apathy had been funded by a grant to Prof. Sergio Starkstein, MD, PhD, Winthrop Professor and Head of the Neuropsychiatry Unit at Fremantle Hospital, Perth. The grant was awarded by the National Health and Medical Research Council (Australia) and covers virtually all costs associated with the study. From existing supplies of drug and placebo, we confirmed the stability of the product, re-packaged it for storage and distribution by the hospital pharmacy and shipped the drug to the University of Western Australia for use in the trial. The study has now been initiated and patients are being actively recruited and enrolled. A second clinical centre in Western Australia is in the process of initiating patient recruitment as well. If this study confirms the robust effect of Motiva® on post-stroke apathy, the Company believes that it will have an opportunity to enter into a beneficial commercial partnership to complete the pivotal trials necessary for registration of the drug for that indication.

Cancer Research Programs

The Trefoil Factor (TFF) and Growth Hormone (GH) programs targeting breast and other cancers were assigned to Perseis Therapeutics, a Neuren subsidiary jointly established with the New Zealand Breast Cancer Research Trust (BCRT) in 2009. With initial funding of NZ$1.18 million from the BCRT, Perseis initiated a program to develop and test monoclonal antibodies against a range of cancers, focusing predominantly on TFF-1 and TFF-3. Trefoil Factors are estrogen-regulated proteins secreted by cancer cells that act as growth factors in a number of cancers, promoting growth and spread of tumours. TFF-1 is expressed in up to 68% of breast cancers and its expression is negatively associated with survival in patients with metastatic disease. TFF-3 is strongly associated with tamoxifen resistance and inhibition of TFF-3 has been shown to be effective in treating tamoxifen resistant breast cancer cells in culture. Among patients treated with tamoxifen, survival is highly correlated with the level of TFF-3 expression. Tamoxifen is a widely used drug that blocks the growth-promoting effects of estrogen and is the world's leading hormonal drug for the treatment of breast cancer. Between 25% and 35% of women who take tamoxifen to prevent the recurrence of breast cancer fail to respond to the drug. This phenomenon creates a significant need and opportunity for a product that can reduce or prevent tamoxifen resistance.

In March 2010, we announced that a NZ$250,000 grant was awarded to Perseis by the New Zealand Foundation for Research, Science and Technology to support the trefoil factor program. That additional funding has enabled Perseis to expand the scope of its research which has included antibody discovery at three separate institutions in Australia, Singapore and China as well as screening against a phage display library of fully human antibody fragments. Antibodies are first screened in vitro against established breast, gastric and other cancer cell lines to select the most promising molecules. The lead antibodies then will be evaluated in animal models of cancer to validate the proof of concept of targeting TFFs as a cancer therapy. Once lead molecules have been selected and definitive proof of concept has been obtained, Perseis will have the option of seeking a partnership or continuing development on its own. Perseis is actively engaged in business development activities designed to raise the awareness of its targets and programs among potential partners. These efforts will be accelerated as we move toward the selection of lead molecules.

Perseis is presently screening anti-TFF-1 and anti-TFF-3 murine monoclonal antibodies as well as anti-TFF-1 and anti-TFF-2 antibodies from a library of fully human antibodies against multiple cancer cell lines. In preparation for in vivo testing, Perseis has established a contract with a US-based specialty R&D contract research organization, Aragen, which is finalizing the experimental methods for the in vivo studies and also is confirming the in vitro screening results.

Intellectual Property

Recent actions by a number of patent granting agencies have significantly expanded and strengthened our intellectual property portfolio. These include:

- **U.S. Patent No. 7,605,177** entitled *Effects of Glycyl-2-MethylProlyl-L-Glutamic Acid on Neurodegeneration*. The patent is directed to the method of treating neurological injury caused by traumatic brain injury (TBI) using NNZ-2566. The patent also covers a method for reducing a seizure induced by traumatic brain injury.

- **U.S. Patent No. 7,714,020** entitled *Treatment of Non-Convulsive Seizures in Brain Injury Using Glycyl-L-2-Methyl-L-Glutamic Acid.* The patent is directed to the method of treating brain injury using NNZ-2566, where an EEG pattern characteristic of a non-convulsive seizure (NCS) is present.
- **Canadian Patent No. 2,457,982** entitled *Use of nefiracetam for treating neurodegeneration* and **Canadian Patent No. 2,368,352** entitled *Method for treating neurodegeneration,* granted on 10 November 2009. The patents relate to the use of nefiracetam (Motiva®) in the treatment of neurodegeneration (including post-stroke neurodegeneration), improving activities of daily living (ADL) in post-stroke patients, or for recovery of a post-stroke patient.
- **Canadian Patent No. 2,433,039** entitled *Agent for therapeutic and prophylactic treatment of neuropathic pain*. The patent covers the treatment of neuropathic pain with a drug comprising a pyrrolidinedione compound (e.g. nefiracetam). The therapeutic indications include neuropathic cancer pain, post-herpetic neuralgia, diabetic neuropathy, neuropathic pain in multiple sclerosis, neuropathic pain in AIDS, phantom limb pain and others.
- **U.S. Patent No. 7,608,636** entitled *Medicines for treatment and prevention of neurogenic pain*. The patent is directed to the method for treating neuropathic pain with nefiracetam. The therapeutic indications include neuropathic cancer pain, post-herpetic neuralgia, diabetic neuropathy, neuropathic pain in multiple sclerosis, neuropathic pain in AIDS, phantom limb pain and others.
- **NZ Patent No. 556158** covers the use of a TFF1 inhibitor for inhibiting proliferation and/or survival of a tumour or for treating or preventing cancer or a cell proliferation and/or survival disorder. The inhibitor can be anti-TFF1 antibodies, iRNAs inhibiting expression of TFF1 or peptide antagonists of TFF1 protein.
- **U.S. Pat. No. 7,776,876** entitled *Cyclic G-2-allylProline in Treatment of Parkinson's Disease*. The patent covers the composition of NNZ-2591 or a salt or stereoisomer of NNZ-2591. The patent is also directed to treatment of Parkinson's disease and an abnormality of neurological function (e.g. motor or cognitive abnormality) with NNZ-2591.
- **U.S. Pat. No. 7,887,839** entitled *Oral Formulations of G2MePE*. The patent covers a broad scope of claims for various oral formulations of NNZ-2566.

Financial Position

Grant income of $6,122,000 in 2010 was virtually unchanged from that received in 2009 and, apart from a one-time R&D tax credit of $288,000 in 2009, related to funding for the NNZ-2566 Phase 2 trial from the US Army to cover direct costs associated with the trial in both years. The Company periodically requests and receives in advance funding instalments to meet trial costs expected to arise within the next one or two months. This process will continue through the course of the Phase 2 trial.

With the commencement of start-up activities for the NNZ-2566 Phase 2 trial in mid-2009 and ongoing grant funding from the US Army, research and development activity costs increased from $3,969,000 in 2009 to $9,241,000 in 2010 as the Phase 2 trial moved to being fully underway. This and the non-cash expense of $923,000 for options issued under the employee share option plan largely accounted for the change from a small income after tax and minority interest in 2009 of $123,000 to an after tax and minority interests loss of $6,445,000 in 2010.

At 31 December 2010 Neuren had $1,956,000 in cash deposits, and a minimum of A$720,000 remained available for draw down under its convertible loan facility in monthly tranches of A$60,000.

Mr Larry Glass
Chief Executive Officer

Neuren Pharmaceuticals Limited

Directors' Report

Principal Activities
Neuren Pharmaceuticals Limited (Neuren or the Company, and its subsidiaries, or the Group) is a publicly listed biopharmaceutical company focusing on the development of drugs for neurological disorders, metabolism and cancer. The drugs target acute indications of brain injury such as cognitive impairment resulting from traumatic brain injury, psychiatric symptoms of stroke, as well as chronic conditions such as Parkinson's and Alzheimer's diseases.

Neuren has three lead candidates; Motiva® and NNZ-2566 presently in clinical development to treat four different neurological conditions, and NNZ-2591 in preclinical development for Parkinson's disease dementia and other chronic neurodegenerative conditions. The Group has operations in New Zealand and the United States.

Performance Overview
In 2010 patient recruitment commenced in Phase 2 trials for two of Neuren's lead candidates; NNZ-2566 and Motiva®. Funding for the NNZ-2566 trial and oral development continues to be provided by the US Army, with a further NZ$6 million received in the year. The Motiva® trial is being undertaken by Prof. Sergio Starkstein, MD, PhD at Fremantle Hospital, Perth, and is funded by a grant from the National Health and Medical Research Council (Australia) directly to the principal investigator. Neuren is supporting the trial through the supply of drug and placebo which it has in stock.

Neuren's operations for 2010 are described further in the Chief Executive's Report on pages 1 to 5.

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

The Group's net loss for the year ended 31 December 2010 was $6,573,000 (2009: $33,000). The detailed financial statements are presented on pages 14 to 32.

The net deficit per share for 2010 was $0.02 (2009: $nil) based on 384,916,420 weighted average number of shares outstanding (2009: 271,275,942).

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

Directors
Dr Robin Congreve, LLM, PhD (Chairman)
Dr Congreve was for many years a partner in Russell McVeagh McKenzie Bartleet & Co specialising in taxation and business law. He was subsequently on the Boards of or chaired a number of public and private companies including NZ Railways Corporation, BNZ, Comalco NZ Limited, Lion Nathan Limited and TruTest Limited. He is a principal of Oceania & Eastern Group, a New Zealand private equity group which has provided private equity funding to both Neuren's predecessor companies, NeuronZ and EndocrinZ. Dr Congreve was founding Chairman of the Auckland Medical School Foundation which led to the formation of NeuronZ within the University of Auckland and subsequently to the introduction of private equity into that company and EndocrinZ.

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

Dr Douglas Wilson, MB, ChB, PhD (Director and Chief Medical Officer)
Dr Wilson was originally a medical academic with postgraduate experience in Auckland, London, Oxford and Walter and Eliza Hall Institute, Melbourne. He then spent many years in the international pharmaceutical industry, firstly as Senior Vice-President for Boehringer Ingelheim USA. Dr Wilson was responsible for all drugs and clinical development and all interactions with the FDA. He then carried these responsibilities worldwide at Boehringer Ingelheim Head Office in Germany. He has overseen multiple drugs at all phases of development including bringing many drugs successfully to the market in the USA. Dr Wilson is now a consultant to the biotechnology sector.

Dr Graeme Howie, BSc (Hons), PhD (Non-Executive Director)
Dr Howie has over 27 years of management experience in the international pharmaceutical industry with a strong and diverse background in research and development, product development, manufacturing and commercial fields. His most recent experience is in recombinant biotech product development and was until December 2004 a senior executive at Pfizer Inc., based in New York. Dr Howie has extensive international experience in technical and commercial due diligence activities, including in-licensing. He also led and was responsible for new delivery route feasibility studies on human growth hormone and has been responsible for the development and registration of various products throughout the USA, Europe, Australia and Asia.

Dr John Holaday, PhD (Non-Executive Director)
Dr Holaday joined the Neuren Board in November 2009. Dr Holaday, a veteran life-science entrepreneur, has built five public and private biopharmaceutical companies over the past 21 years and raised more than US$450 million in capital. Dr Holaday founded EntreMed in 1992 and served as its Chairman, President and CEO until his retirement in 2003 and was the co-founder, director, Scientific Director and SVP of Medicis Pharmaceutical Corporation. He was the founder and Chief of the Neuropharmacology Branch at the Walter Reed Army Institute of Research for 21 years. Dr Holaday has received numerous honours and awards, including induction into Ernst and Young's Entrepreneur of the Year 2006 Hall of Fame. He holds over 60 U.S. and foreign patents, has published more than 200 scientific articles and reviews, and edited five books. He is currently CEO of QRxPharma, a listed specialty pharmaceutical company specialising in pain and CNS diseases.

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 are as follows:

Dr R L Congreve
Dr Congreve is a director of Oceania & Eastern Biotech Limited, EndocrinZ Founders Limited, and Hazardous Investments Limited, all shareholders of the Company. Dr Congreve does not have any other interests considered to cause any potential conflict of interests.

Dr T D Scott
Dr Scott is a director of Centralo Limited, a shareholder of the Company, and Essex Castle Limited, a nominee company. Dr Scott is also the chairman of Mercy Hospital Dunedin Limited which also operates in the biotechnology/pharmaceutical industry. Dr Scott does not have any other interests considered to cause any potential conflict of interests.

Dr J D Wilson
Dr Wilson was appointed a director of Phylogica Limited, a Perth, Australia, based biopharmaceutical drug discovery company, in March 2008. Dr Wilson does not have any other disclosed interests considered to cause any potential conflict of interests.

Dr G B Howie
Dr Howie does not have any interests considered to cause any potential conflict of interests.

Dr J Holaday
Dr Holaday is CEO of QRxPharma, a listed specialty pharmaceutical company specialising in pain and CNS diseases. Dr Holaday does not have any other interests considered to cause any potential conflict of interests.

The details of each Director's relevant interests in securities of the Company are disclosed in the "Other Information" section of this Annual Report.

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

Indemnification and Insurance of Directors and Officers

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

Remuneration of Directors	**Directors' Fees 2010 $'000**	**Other Remuneration 2010 $'000**	**Directors' Fees 2009 $'000**	**Other Remuneration 2009 $'000**
Dr Robin Congreve (Chairman)	60	40	60	40
Mr Tom Amos [2]	-	-	9	-
Dr John Holaday [1]	35	-	3	-
Dr Graeme Howie	35	-	35	-
Dr Trevor Scott	40	20	40	20
Dr Doug Wilson	35	-	-	100

1 Appointed as a director 25 November 2009
2 Resigned as a director 27 March 2009

Executive Remuneration

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

	2010 $'000	**2009 $'000**
$100,000 - $109,999	-	1
$110,000 - $119,999	1	-
$120,000 - $129,999	-	2
$130,000 - $139,999	1	-
$140,000 - $149,999	1	1
$170,000 - $179,999	1	1
$200,000 - $209,999	1	-
$300,000 - $309,999	1	-
$360,000 - $369,999	-	1

Donations

The Company made no donations during the year (2009: nil).

Auditors

PricewaterhouseCoopers are the auditors of the Company. Audit fees in relation to the annual and interim financial statements were $51,000 (2009: $44,000). During 2010 PricewaterhouseCoopers also received $8,600 (2009: $nil) in relation to other financial advice and services.

Neuren Pharmaceuticals Limited

Corporate Governance Statement

The Directors have adopted practices and procedures for the good corporate governance of the Company. These practices and procedures establish the framework of how the Directors carry out their duties and discharge their obligations. The Company has adopted appropriate policies and practices as provided by the ASX Listing Rules and the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council ("Council") in March 2003 and revised in August 2007 (2nd edition) which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Promote ethical and responsible decision-making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

Neuren's corporate governance practices were fully compliant with the Council's August 2007 best practice recommendations apart from the following recommendations:

Recommendation 2.2: The chair should be an independent director
Dr Congreve is the Chairman of the Board, and was elected as such by the shareholders of the Company. As noted below, Dr Congreve is not "independent" however in accordance with Council's recommendations, Dr Scott, Chairman of the Remuneration and Audit Committee, acts as lead independent director.

Recommendation 2.4: The Board should establish a nomination committee
The Board has previously considered establishing a Nomination Committee, however due to the small number of Directors the Board considers it more efficient for the selection and appointment of Directors to be considered by the Board itself. It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case by case basis and in conformity with the requirements of the Listing Rules. The Board may also engage an external consultant where appropriate to identify and assess suitable candidates who meet the Board's specifications.

Amendments by the Council in June 2010 to the August 2007 best practice recommendations will be implemented in the 2011 financial year.

Role of the Board
The Board is responsible for the overall corporate governance of the Company. The Board acts on behalf of and is accountable to the shareholders. The Board seeks to identify the expectations of shareholders as well as other regulatory and ethical expectations and obligations. The Board is responsible for identifying areas of significant business risk and ensuring mechanisms are in place to manage those risks adequately. In addition, the Board sets the overall strategic goals and objectives, and monitors achievement of goals.

The Board appoints the Chief Executive Officer and the responsibility for the operation and administration of the Company has been delegated to the Chief Executive Officer and senior management. The Board ensures this team is appropriately qualified to discharge their responsibilities and reviews the performance of the Chief Executive Officer annually against agreed objectives. This performance review was conducted in early 2010 and 2011. The Chief Executive Officer is responsible for reviewing annually the performance of senior management.

The Board ensures management's objectives and activities are aligned with the expectations and risks identified by the Board through a number of mechanisms including the following:
- establishment of the overall strategic direction and leadership of the Company;
- approving and monitoring the implementation by management of the Company's strategic plan to achieve those objectives;
- reviewing performance against its stated objectives, by receiving regular management reports on business situation, opportunities and risks;
- monitoring and review of the Company's controls and systems including those concerned with regulatory matters to ensure statutory compliance and the highest ethical standards; and
- review and adoption of the annual budget and monitoring the results against stated targets.

The Board reviews its corporate strategy and financial targets in terms of shareholder expectations, performance and potential in the interests of creating long-term value for shareholders.

The Board considers corporate governance to be an important element of its responsibilities. It meets regularly throughout the year.

Board Composition
The Company must have between 3 and 9 Directors. The independence and tenure of each Director at the date of this report is as follows:

Director	Position	Independence	Term in Office
Dr Robin Congreve	Chairman – Non-executive director	Non-independent	9
Dr John Holaday	Non-executive director	Independent	1
Dr Graeme Howie	Non-executive director	Independent	6
Dr Trevor Scott	Non-executive director	Independent	8
Dr Doug Wilson	Chief Medical Officer – Executive director	Non-independent	7

The Board's composition, performance, and the independence of Directors are regularly reviewed by the Chairman and lead independent director, Dr Scott, to ensure that the Board has the appropriate mix of independence, expertise and experience. Dr Holaday, Dr Howie and Dr Scott are independent Directors. The Board has previously considered establishing a Nomination Committee, however due to the small number of Directors the Board considers it more efficient for the selection and appointment of Directors to be considered by the Board itself.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case by case basis and in conformity with the requirements of the Listing Rules. The Board may also engage an external consultant where appropriate to identify and assess suitable candidates who meet the Board's specifications.

The relevant skills, experience and expertise of each Board member are set out in the Directors' Report.

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at the Company's expense on prior approval of the Chairman.

Board Committees
It is the Board's policy that Committees it has established should:
- be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as it may require; and
- operate in accordance with the terms of reference established by the Board.

Remuneration and Audit Committee
The Remuneration and Audit Committee must have a minimum of 2 non-executive directors. Currently the Committee members are Dr Scott (Chair), Dr Congreve and Dr Holaday. The Committee operates under terms of reference approved by the Board. It is responsible for undertaking a broad review of, ensuring compliance with, and making recommendations in respect of, the Company's internal financial controls, legal compliance obligations and remuneration policies. It is also responsible for:
- review of audit assessment of the adequacy and effectiveness of internal controls over the Company's accounting and financial reporting systems, including controls over computerised systems;
- review of the audit plans and recommendations of the external auditors;
- evaluating the extent to which the planned scope of the audit can be relied upon to detect weaknesses in internal control, fraud and other illegal acts;
- review of the results of audits, any changes in accounting practices or policies and subsequent effects on the financial statements and make recommendations to management where necessary and appropriate;
- review of the performance and fees of the external auditor;
- audit of legal compliance including trade practices, corporations law, occupational health and safety and environmental statutory compliance , and compliance with the Listing Rules of the ASX;
- supervision of special investigations when requested by the Board;
- setting and reviewing compensation policies and practices of the Company;
- setting and reviewing remuneration of the Directors, Chief Executive Officer and members of the executive team; and
- setting and reviewing the Company's equity plans for employees and/or Directors.

All members of the Committee meet at least twice during the year. In undertaking these tasks the Remuneration and Audit Committee meets separately with management and external auditors where required. The Committee also seeks assurances from the Chief Executive Officer and Chief Financial Officer in respect of the accuracy and compliance of the Company's annual and half-year financial statements and effectiveness of the Company's management of its material business risks.

Ethical Standards and Share Trading
The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity or share trading.

The Constitution permits Directors to acquire shares in the Company. The Company's share trading policy prohibits Directors, executives and employees from acquiring or disposing of securities unless this occurs during a 42 day period commencing 24 hours after the announcement to the ASX of the quarterly, half-yearly and annual results and/or after the conclusion of the Company's Annual General Meeting and provided that the person is not in possession of price sensitive information and the trading is not for short-term or speculative gain. Other trading may only occur with Board approval.

Continuous Disclosure
As a listed company, Neuren is required to comply with the continuous disclosure requirements as set out in the ASX Listing Rules. The Company discloses to the ASX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of securities of the Company, unless certain exemptions from the obligation to disclose apply.

All relevant information provided to the ASX is also posted onto the Company's corporate website www.neurenpharma.com, in compliance with the continuous disclosure requirements of the Listing Rules.

Rights of Shareholders
The Board strives to communicate regularly and clearly with shareholders, the principal methods being through the Company's annual and half-year reports, and Company announcements posted on the Company's website. Shareholders are encouraged to attend and participate at general meetings, which the Auditors are also invited to attend.

Identification and Management of Significant Business Risk
The Board has identified the significant areas of potential business and legal risk for the Company.

The identification, monitoring and, where appropriate, the reduction of significant risk to the Company are monitored by the Board. The Board reviews and monitors the parameters under which such risks will be managed.

The Board has identified the Company's activities in conducting clinical trials on humans as a significant area of risk. The Board has established policies and procedures to mitigate the risks involved in this area. These include:

- all clinical activities are covered by clinical trials insurance policies at levels of coverage deemed acceptable by the Board and Chief Executive Officer;
- all clinical trials and studies involving human subjects are overseen by an independent Data Safety and Monitoring Committee (DSMC), the composition and charter for which are fully compliant with FDA and ICH guidelines ;
- for clinical trials involving patients, a Clinical Advisory Board comprising board-certified experts in the relevant clinical specialties and subspecialties provides advice and guidance to the CEO in the design and implementation of trials from both ethical and safety perspectives;
- for clinical trials conducted in the US, a Medical Monitor oversees pharmacovigilance and safety reporting procedures and practices;
- all emergent safety issues are immediately brought to the attention of the DSMC by the Medical Monitor which has unilateral authority to unblind data and, if deemed necessary, to halt enrolment;
- before any clinical trial is initiated, protocols are reviewed and approved by cognizant national regulatory agencies (e.g., FDA, Med-Safe, Australian Therapeutic Goods Administration), a central Institutional Review Board (IRB) and independent IRBs or Ethics Committees at each participating clinical centre which are fully independent of Company management;
- clinical operations management staff maintain current certification by the Association of Clinical Research Professionals with respect to knowledge of and compliance with clinical research regulations and guidelines and Good Clinical Practices; and
- the Company employs a full-time Director of Quality Assurance and Regulatory Affairs to oversee compliance with FDA/ICH guidelines for preclinical research, manufacturing and clinical trials. This person reports directly to the CEO.

The Remuneration and Audit Committee also assists the Board in its monitoring of financial and operational risk.

Remuneration
Neuren believes having highly skilled and motivated people will allow the organisation to best pursue its mission and achieve its goals for the benefit of shareholders and stakeholders more broadly. The ability to attract and retain the best people is critical to the Company's future success. The Board believes remuneration policies are a key part of ensuring this success.

The Remuneration and Audit Committee of the Board is responsible for determining and reviewing compensation arrangements for the Directors, Chief Executive Officers and members of the executive team. The Committee assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. To assist in achieving these objectives, the Remuneration and Audit Committee links the nature and amount of executive Directors' and Officers' emoluments to the Company's performance.

Remuneration of Executives comprises base salary and an "at-risk" (bonus) component, the payment of which is dependent upon individual, team and Company performance relative to specific targets. Executive performance and remuneration is reviewed formally each year.

Long-term incentive arrangements have been provided by participation in a share option plan to ensure key employees maintain a long-term interest in the growth and value of the Company.

Non-executive Director fees are determined by the Board within the aggregate limit for Directors' fees approved by shareholders. The current remuneration level for the Chair is $60,000 and for non-executive Directors is $25,000 per year with an additional $10,000 for committee membership and $5,000 for committee Chairs. Executive Directors do not receive Directors fees. Directors and Executives receive no retirement allowances. New Zealand Companies Act disclosures with regard to Directors' Fees and Executives' remuneration are set out in the Directors' Report.

Neuren Pharmaceuticals Limited

Financial Statements
for the year ended 31 December 2010

Neuren Pharmaceuticals Limited

Statements of Comprehensive Income
for the year ended 31 December 2010

	Notes	Consolidated 2010 NZ$'000	Consolidated 2009 NZ$'000	Parent 2010 NZ$'000	Parent 2009 NZ$'000
Revenue - interest income		52	24	34	15
- contract revenue		-	-	-	-
- out-licensing revenue		-	58	-	58
		52	82	34	73
Other income - grants		6,122	6,123	-	388
Total revenue and other income		6,174	6,205	34	461
Depreciation and amortisation expense		(529)	(625)	(119)	(164)
Intangible asset impairment expense		-	(192)	-	(192)
Loss on disposal of intangible assets		(225)	-	(225)	-
Research and development costs		(9,241)	(3,969)	(966)	(990)
Patent costs		(401)	(515)	(143)	(306)
Share option compensation expense		(923)	(7)	(923)	(7)
Foreign exchange (loss) gain		(78)	203	(21)	204
Interest expense		(2)	(3)	(2)	(3)
Corporate and administrative costs		(1,348)	(1,130)	(1,119)	(978)
Loss before income tax	4	(6,573)	(33)	(3,484)	(1,975)
Income tax expense	5	-	-	-	-
Loss after income tax		(6,573)	(33)	(3,484)	(1,975)
Other comprehensive income (expense), net of tax					
Exchange differences on translation of foreign operations		(317)	(1,321)	-	-
Total comprehensive loss		$ (6,890)	$ (1,354)	$ (3,484)	$ (1,975)
Profit (loss) after income tax attributable to:					
Equity holders of the company		(6,445)	123	(3,484)	(1,975)
Minority interest		(128)	(156)	-	-
		$ (6,573)	$ (33)	$ (3,484)	$ (1,975)
Total comprehensive loss attributable to:					
Equity holders of the company		(6,762)	(1,198)	(3,484)	(1,975)
Minority interest		(128)	(156)	-	-
		$ (6,890)	$ (1,354)	$ (3,484)	$ (1,975)
Basic and diluted loss per share	6	$ (0.02)	$ 0.00		

The notes on pages 18 to 32 form part of these financial statements

Neuren Pharmaceuticals Limited

Statements of Financial Position
as at 31 December 2010

	Notes	Consolidated 2010 NZ$'000	Consolidated 2009 NZ$'000	Parent 2010 NZ$'000	Parent 2009 NZ$'000
ASSETS					
Current assets:					
Cash and cash equivalents	7	1,956	4,232	653	1,695
Trade and other receivables	8	430	2,270	765	1,871
Total current assets		2,386	6,502	1,418	3,566
Non-current assets:					
Property, plant and equipment	9	23	51	21	47
Intangible assets	10	5,121	6,153	622	933
Investments in subsidiaries	15	-	-	4,257	4,257
Total non-current assets		5,144	6,204	4,900	5,237
TOTAL ASSETS		$ 7,530	$ 12,706	$ 6,318	$ 8,803
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables	11	2,257	3,093	1,399	2,700
Convertible note – short term	12	598	-	598	-
Equipment finance – short term	12	-	11	-	11
Lease incentive – short term		12	12	12	12
Total current liabilities		2,867	3,116	2,009	2,723
Non-current liabilities:					
Convertible note – long term	12	-	490	-	490
Lease incentive – long term		9	22	9	22
Total liabilities		2,876	3,628	2,018	3,235
EQUITY					
Share capital	13	68,858	69,344	68,858	69,344
Other reserves		5,986	3,601	6,053	3,351
Accumulated deficit		(70,137)	(63,692)	(70,611)	(67,127)
Total equity attributable to equity holders		4,707	9,253	4,300	5,568
Minority interest in equity		(53)	(175)	-	-
Total equity		4,654	9,078	4,300	5,568
TOTAL LIABILITIES AND EQUITY		$ 7,530	$ 12,706	$ 6,318	$ 8,803

The notes on pages 18 to 32 form part of these financial statements

For and on behalf of the Board of Directors who authorised the issue of these financial statements on 30 March 2011.

Dr Robin Congreve
Chairman

Dr Trevor Scott
Director

Neuren Pharmaceuticals Limited

Statements of Changes in Equity
for the year ended 31 December 2010

Consolidated	Share Capital NZ$'000	Share Option Reserve NZ$'000	Foreign Currency Translation Reserve NZ$'000	Accumulated Deficit NZ$'000	Total Attributable to Equity Holders NZ$'000	Minority Interest NZ$'000	Total Equity NZ$'000
Equity as at 1 January 2009	$ 68,768	$ 974	$ 1,571	$ (64,651)	$ 6,662	$ -	$ 6,662
Shares issued in Share Purchase Plan	1,003				1,003		1,003
Shares issued on conversion of notes	190				190		190
Shares issued in private placement	1,903				1,903		1,903
Share issue costs expensed	(150)				(150)		(150)
Share option grants for services	(2,370)	2,377			7		7
Minority interest issued in subsidiary					-	817	817
Gain on issue of minority interest				836	836	(836)	-
Comprehensive loss for the year			(1,321)	123	(1,198)	(156)	(1,354)
Equity as at 31 December 2009	$ 69,344	$ 3,351	$ 250	$ (63,692)	$ 9,253	$ (175)	$ 9,078
Shares issued on conversion of notes	1,759				1,759		1,759
Share issue costs expensed	(466)				(466)		(466)
Share option grants for services	(1,779)	2,702			923		923
Minority interest issued in subsidiary					-	250	250
Comprehensive loss for the year			(317)	(6,445)	(6,762)	(128)	(6,890)
Equity as at 31 December 2010	$ 68,858	$ 6,053	$ (67)	$ (70,137)	$ 4,707	$ (53)	$ 4,654

Parent	Share Capital NZ$'000	Share Option Reserve NZ$'000	Foreign Currency Translation Reserve NZ$'000	Accumulated Deficit NZ$'000	Total Attributable to Equity Holders NZ$'000
Equity as at 1 January 2009	$ 68,768	$ 974	$ -	$ (65,152)	$ 4,590
Shares issued in Share Purchase Plan	1,003				1,003
Shares issued on conversion of notes	190				190
Shares issued in private placement	1,903				1,903
Share issue costs expensed	(150)				(150)
Share option grants for services	(2,370)	2,377			7
Comprehensive loss for the year				(1,975)	(1,975)
Equity as at 31 December 2009	$ 69,344	$ 3,351	$ -	$ (67,127)	$ 5,568
Shares issued on conversion of notes	1,759				1,759
Share issue costs expensed	(466)				(466)
Share option grants for services	(1,779)	2,702			923
Comprehensive loss for the year				(3,484)	(3,484)
Equity as at 31 December 2010	$ 68,858	$ 6,053	$ -	$ (70,611)	$ 4,300

The notes on pages 18 to 32 form part of these financial statements

Neuren Pharmaceuticals Limited

Statements of Cash Flows
for the year ended 31 December 2010

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Cash flows from operating activities:				
Receipts from grants	6,410	5,835	288	100
Receipts from licensing	-	107	-	107
Interest received	52	24	34	15
GST refunded	138	111	112	94
Interest paid	(2)	(3)	(2)	(3)
Payments to employees	(1,254)	(976)	(1,068)	(851)
Payments to other suppliers	(9,129)	(6,688)	(2,486)	(1,908)
Net cash used in operating activities	(3,785)	(1,590)	(3,122)	(2,446)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(7)	(6)	(7)	-
Sale of property, plant and equipment	-	5	-	5
Advance from (to) subsidiaries	-	-	738	(867)
Net cash used in investing activities	(7)	(1)	731	(862)
Cash flows from financing activities:				
Proceeds from the issue of shares	-	2,906	-	2,906
Proceeds from the issue of convertible notes	1,835	680	1,835	680
Proceeds from minority interest	250	817	-	-
Repayment of equipment financing	(11)	(15)	(11)	(15)
Payment of share issue expenses	(478)	(149)	(478)	(149)
Net cash provided from financing activities	1,596	4,239	1,346	3,422
Net (decrease) increase in cash	(2,196)	2,648	(1,045)	114
Effect of exchange rate changes on cash balances	(80)	(35)	3	52
Cash at the beginning of the year	4,232	1,619	1,695	1,529
Cash at the end of the year	$ 1,956	$ 4,232	$ 653	$ 1,695
Reconciliation with loss after income tax:				
Loss after income tax	$ (6,573)	$ (33)	$ (3,484)	$ (1,975)
Non-cash items requiring adjustment:				
Depreciation of property, plant and equipment	36	43	33	43
Loss (gain) on disposal of property, plant and equipment	-	(1)	-	(1)
Amortisation of intangible assets	493	582	86	121
Loss on disposal of intangible assets	225	-	225	-
Intangible asset impairment	-	192	-	192
Share option compensation expense	923	7	923	7
Foreign exchange loss (gain)	78	(203)	21	(204)
Lease incentive amortisation	(12)	(12)	(12)	(12)
Changes in working capital:				
Trade and other receivables	1,817	(1,852)	308	104
Trade and other payables	(772)	(313)	(1,222)	(721)
Net cash used in operating activities	$ (3,785)	$ (1,590)	$ (3,122)	$ (2,446)

The notes on pages 18 to 32 form part of these financial statements

Neuren Pharmaceuticals Limited

Notes to the Financial Statements
for the year ended 31 December 2010

1. Nature of business

Neuren Pharmaceuticals Limited (Neuren or the Company, and its subsidiaries, or the Group) is a publicly listed biopharmaceutical company focusing on the development of drugs for neurological disorders, metabolism and cancer. The drugs target acute indications of brain injury such as cognitive impairment resulting from cardiac surgery and traumatic brain injury, psychiatric symptoms of stroke, as well as chronic conditions such as Parkinson's and Alzheimer's diseases.

Neuren has three lead candidates; Motiva™ and NNZ-2566 presently in clinical development to treat a range of acute and chronic neurological conditions, and NNZ-2591 in preclinical development for Parkinson's disease dementia and other chronic neurodegenerative conditions. The Group has operations in New Zealand and the United States.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office in New Zealand is level 2, 57 Wellington Street, Auckland, and in Australia Level 13, 122 Arthur Street, North Sydney. Neuren has its primary listing on the Australian Securities Exchange (ASX code: NEU).

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2011.

Inherent Uncertainties

- There are inherent uncertainties associated with assessing the carrying value of the acquired intellectual property. The ultimate realisation of the carrying values of intellectual property totalling $5,121,000 (after amortisation) is dependent on the Company and Group successfully developing its products, on licensing the products, or divesting the intellectual property so that it generates future economic benefits to the Company.

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

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

2. Summary of significant accounting policies

These general-purpose financial statements are for the year ended 31 December 2010 and have been prepared in accordance with and comply with generally accepted accounting practice in New Zealand, International Financial Reporting Standards, New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

(a) Basis of preparation

Entities Reporting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2010 and the results of all subsidiaries for the year then ended. Neuren Pharmaceuticals Limited and its subsidiaries, which are designated as profit-oriented entities for financial reporting purposes, together are referred to in these financial statements as the Group.

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

Statutory Base

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

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgement in the process of applying the Company's accounting policies such as in

relation to impairment, if any, of intangible assets set out in note 10. Actual results may differ from those estimates.

Changes in accounting policies
The following amendment was mandatory for the first time in the period beginning 1 January 2010:

- NZ IFRS 3 Business Combinations (Revised) and NZ IAS 27 Consolidated and Separate Financial Statements (Revised). Transaction costs associated with any future acquisition are expensed when incurred and no longer included in the cost of acquisition. In addition, any contingent consideration is required to be recognised at fair value at the acquisition date with any subsequent changes taken to the comprehensive income statement. Where less than a 100% interest is acquired, the acquirer can recognise either the entire goodwill or the goodwill proportionate to the interest acquired. The Group made no acquisitions in the period.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

(c) Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign Currency Translation
(i) Functional and Presentation Currency
Items included in the financial statements of each of the Group's operations are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that operation ("functional currency"). The Consolidated and Parent financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

(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 comprehensive income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

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

(e) Revenue recognition
Grants
Grants received are recognised in the comprehensive income statement 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.

Out-licensing and royalty revenue
Out-licensing and royalty revenue comprises income generated from technology out-licensing and research and development collaboration agreements. Where licensing agreements include non-refundable milestone income, revenue is recognised on achieving the milestones. If any milestone income is creditable against royalty payments then it is deferred and released to the comprehensive income statement over the period in which the royalties would otherwise be receivable. Royalty income relating to the sale by a licensee of licensed product is recognised on an accruals basis in accordance with the substance of the relevant agreement and based on the receipt from the licensee of the relevant information to enable calculation of the royalty due.

Contract research
Where science projects are recognised on an individual project basis and span more than one year, the percentage completion method is used to determine the appropriate amount of revenue to recognise in a given year over the life of the project. Contract revenue is recognised when earned and non-refundable and when there are no future obligations pursuant to the revenue, in accordance with the contract terms. The full amount of an anticipated loss, including that relating to future work on the contract, is recognised as soon as it is foreseen.

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

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

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, development expenditure is recognised as a development asset 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 years of expected benefit. Research and development costs are otherwise expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(p) Borrowing Costs
Borrowing costs are expensed as incurred.

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

Share-based payments
Neuren operates an equity-settled share option plan and awards certain employees and consultants share options, from time to time, on a discretionary basis. The fair value of the services received in exchange for the grant of the options 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 at grant date. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest and become exercisable. It recognises the impact of the revision of original estimates, if any, in the comprehensive income statement, and a corresponding adjustment to equity over the remaining vesting period.

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

(r) 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.

(s) Financial instruments
Financial instruments recognised in the statement of financial position include cash and cash equivalents, trade and other receivables and payables, equipment finance and convertible notes. The Company believes that the amounts reported for financial instruments approximate fair value.

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

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

Borrowings
Borrowings, which include convertible notes and equipment financing, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost unless part of an effective hedging relationship. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) 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.

(u) 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 early adopted. The key items applicable to the Group are:

- NZ IFRS 9 Financial Instruments (mandatory for periods beginning on or after 1 January 2013) replaces the multiple classification and measurements models in IAS 39 Financial Instruments: Recognition and measurements with a single model that has only two classification categories: amortised cost and fair value. This will affect future financial statements through disclosure only.
- NZ IAS 24 Related Parties Revised (mandatory for periods beginning on or after 1 January 2011) further clarifies the definition of a related party which may result in other related parties being identified. Management have reviewed the proposed clarification and do not expect that this will result in further related parties being identified for the Group.

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

3. Segment information

(a) Description of Segments
The chief operating decision maker has been identified as the CEO, who reviews the business largely on a geographic basis and assesses results from New Zealand and the USA separately. The information reviewed is prepared in the same format as included in the financial statements.

(b) Geographic Segments

Consolidated	2010 New Zealand NZ$'000	2010 United States NZ$'000	2010 Consolidation Adjustments NZ$'000	2010 Total Group NZ$'000
Segment revenue	111	6,063	-	6,174
Segment result before minority interest	(3,945)	(2,628)	-	(6,573)
Segment assets	6,523	5,999	(4,992)	7,530
Segment liabilities	2,121	1,490	(735)	2,876
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	7	-	-	7
Depreciation and amortisation expense	124	405	-	529
Loss on disposal of intangible asset	225	-	-	225

Consolidated	2009 New Zealand NZ$'000	2009 United States NZ$'000	2009 Consolidation Adjustments NZ$'000	2009 Total Group NZ$'000
Segment revenue	467	5,738	-	6,205
Segment result before minority interest	(2,535)	2,502	-	(33)
Segment assets	9,156	9,283	(5,733)	12,706
Segment liabilities	3,275	1,829	(1,476)	3,628
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	6	-	6
Depreciation and amortisation expense	167	458	-	625
Intangible asset impairment	192	-	-	192
Loss (gain) on disposal of property, plant and equipment	(1)	-	-	(1)

4. Expenses

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Loss before income tax includes the following specific expenses:				
Depreciation – property, plant and equipment				
Scientific equipment	19	24	19	24
Computer equipment	6	5	3	5
Fixtures and fittings	9	11	9	11
Leasehold improvements	2	3	2	3
Total depreciation	36	43	33	43
Amortisation – intangible assets				
Intellectual property	493	581	86	120
Software	-	1	-	1
Total amortisation	493	582	86	121
Remuneration of auditors				
Audit fees	51	44	43	44
Advisory fees	8	-	8	-
Taxation fees	1	-	1	-
Total remuneration of auditors	60	44	52	44
Employee benefits expense				
Salaries and wages	1,324	964	1,137	836
Share option compensation	923	7	923	7
Total employee benefits expense	2,247	971	2,060	843
Directors' fees	205	147	205	147
Lease expense	171	176	171	176

5. Income tax

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Income tax expense	-	-	-	-
Numerical reconciliation of income tax expense to prima facie tax payable (receivable):				
Loss before income tax	(6,573)	(33)	(3,484)	(1,975)
Tax at rates applicable in the respective countries	(2,273)	277	(1,045)	(593)
Tax effect of amounts not deductible (taxable) in calculating taxable income:				
Share option compensation	277	2	277	2
Grant income	-	(2,422)	-	(86)
Other expenses not deductible for tax purposes	-	-	-	-
	(1,996)	(2,143)	(768)	(677)
Foreign jurisdiction withholding tax	-	-	-	-
Under (over) provision in prior years	1,085	62	(2)	2
Deferred tax assets not recognised	911	2,081	770	675
Income tax expense	-	-	-	-

The weighted average applicable tax rate for New Zealand segments is 30% and for United States segments 41% (2009: 30% and 41% respectively).

6. Earnings (loss) per share

Basic loss per share is based upon the weighted average number of outstanding ordinary shares. For the year ended 31 December 2010, the Company's potentially dilutive ordinary share equivalents (being the convertible notes set out in note 12 and the options over ordinary shares set out in note 13) have an anti-dilutive effect on loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating diluted loss per share. In the year ended 31 December 2009, the convertible notes set out in note 12 were potentially dilutive ordinary share equivalents for the purposes of the Group earnings per share.

	Consolidated	
	2010 NZ$'000	2009 NZ$'000
Profit (loss) after income tax attributable to equity holders	(6,445)	123
Weighted average shares outstanding (basic)	384,916,420	271,275,942
Weighted average shares outstanding (diluted)	384,916,420	272,220,539
Basic and diluted loss per share	($0.02)	$0.00

7. Cash and cash equivalents

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Cash	200	308	91	134
Demand and short-term deposits	1,756	3,924	562	1,561
	1,956	4,232	653	1,695

8. Trade and other receivables

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Trade receivables	56	347	29	330
Prepayments	374	1,923	41	49
Due from subsidiaries	-	-	695	1,492
	430	2,270	765	1,871

9. Property, plant and equipment

Parent	Scientific Equipment NZ$'000	Computer Equipment NZ$'000	Fixtures & Fittings NZ$'000	Leasehold Improvements NZ$'000	Total NZ$'000
As at 1 January 2009					
Cost	109	68	43	10	230
Accumulated depreciation	(54)	(62)	(19)	(1)	(136)
Net book value	55	6	24	9	94
Movements in the year ended 31 December 2009					
Opening net book value	55	6	24	9	94
Additions	-	-	-	-	-
Depreciation	(24)	(5)	(11)	(3)	(43)
Disposals	(4)	-	-	-	(4)
Closing net book value	27	1	13	6	47
As at 31 December 2009					
Cost	100	68	43	10	221
Accumulated depreciation	(73)	(67)	(30)	(4)	(174)
Net book value	27	1	13	6	47
Movements in the year ended 31 December 2010					
Opening net book value	27	1	13	6	47
Additions	-	7	-	-	7
Depreciation	(19)	(3)	(9)	(2)	(33)
Disposals	-	-	-	-	-
Closing net book value	8	5	4	4	21
As at 31 December 2010					
Cost	100	75	43	10	228
Accumulated depreciation	(92)	(70)	(39)	(6)	(207)
Net book value	8	5	4	4	21

In addition to the Parent's property, plant and equipment noted above, the only other property, plant and equipment within the Group was computer equipment with a cost of US$4,000 purchased in 2009 by the US based subsidiary for use in the Phase 2 trial of NNZ-2566. Accumulated depreciation as at and the depreciation expense for the year ended 31 December 2010 was US$3,000. As the trial had not commenced at 31 December 2009 and the computer equipment was not in use, no depreciation was charged in the year ended 31 December 2009 for this equipment.

10. Intangible assets

Consolidated	Intellectual Property NZ$'000	Acquired Software NZ$'000	Total NZ$'000
As at 1 January 2009			
Cost	9,522	35	9,557
Accumulated amortisation	(1,222)	(34)	(1,256)
Net book value	8,300	1	8,301
Movements in the year ended 31 December 2009			
Opening net book value	8,300	1	8,301
Amortisation	(581)	(1)	(582)
Impairment expense	(192)	-	(192)
Exchange differences	(1,374)	-	(1,374)
Closing net book value	6,153	-	6,153
As at 31 December 2009			
Cost	7,660	35	7,695
Accumulated amortisation	(1,507)	(35)	(1,542)
Net book value	6,153	-	6,153
Movements in the year ended 31 December 2010			
Opening net book value	6,153	-	6,153
Amortisation	(493)	-	(493)
Loss on disposal	(225)	-	(225)
Exchange differences	(314)	-	(314)
Closing net book value	5,121	-	5,121
As at 31 December 2010			
Cost	6,873	35	6,908
Accumulated amortisation	(1,752)	(35)	(1,787)
Net book value	5,121	-	5,121

Parent	Intellectual Property NZ$'000	Acquired Software NZ$'000	Total NZ$'000
As at 1 January 2009			
Cost	1,932	35	1,967
Accumulated amortisation	(630)	(34)	(664)
Net book value	1,302	1	1,303
Movements in the year ended 31 December 2009			
Opening net book value	1,302	1	1,303
Assigned to subsidiary	(57)	-	(57)
Amortisation	(120)	(1)	(121)
Impairment expense	(192)		(192)
Closing net book value	933	-	933
As at 31 December 2009			
Cost	1,556	35	1,591
Accumulated amortisation	(623)	(35)	(658)
Net book value	933	-	933
Movements in the year ended 31 December 2010			
Opening net book value	933	-	933
Amortisation	(86)	-	(86)
Loss on disposal	(225)		(225)
Closing net book value	622	-	622
As at 31 December 2010			
Cost	1,167	35	1,202
Accumulated amortisation	(545)	(35)	(580)
Net book value	622	-	622

An intangibles impairment charge of $192,000 was recorded in 2009 following rationalisation of the patent portfolio.

11. Trade and other payables

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Trade payables	1,753	2,443	855	2,052
Accruals	250	464	250	464
Employee benefits	254	186	253	184
Due to subsidiaries	-	-	41	-
	2,257	3,093	1,399	2,700

12. Borrowings

Consolidated and Parent		2010 NZ$'000	2009 NZ$'000
Interest bearing			
Equipment finance	- short term	-	11
	- long term	-	-
Total interest bearing debt		-	11
Non-interest bearing			
Convertible notes	- short term	598	-
	- long term	-	490
		598	490

The New Zealand dollar denominated equipment finance was unsecured, had a fixed interest rate of 12.25% and matured in 2010.

At 31 December 2010 two convertible notes were outstanding with principal amounts of A$60,000 and A$400,000, and maturity dates of 19 January 2011 and 18 November 2011 respectively.

The principal terms of the notes are:

(a) They are unsecured and do not bear interest;

(b) The notes, or part thereof, convert to new ordinary shares in the Company determined by dividing the principal amount, or part thereof to be converted, by the lesser of:

(i) 130% of the average of the Volume Weighted Average Prices per share of the Company's ordinary shares quoted on the ASX ("VWAPs") for the twenty (20) business days immediately prior to 18 November 2009; and
(ii) between 85 and 90% of the lowest of the VWAPs during the twenty (20) business days immediately prior to the conversion;

(c) The ordinary shares issued upon conversion of a note will rank equally in all respects with the then existing ordinary shares on issue;
(d) The notes do not carry any voting rights at meetings of shareholders of Neuren, and have no rights of participation in any rights issue undertaken by Neuren prior to conversion of the notes.

The convertible loan agreement under which the above convertible notes were issued provides for convertible note funding until December 2011. At 31 December 2010 a minimum of A$720,000 remained available for draw down in monthly tranches of A$60,000. Pursuant to the convertible loan agreement, the Company issued for no value 13,000,000 ordinary shares as collateral for funding under the agreement. On expiry or termination of the convertible loan agreement these collateral shares shall be returned to the Company to be cancelled or held as treasury shares, or by mutual agreement of the parties purchased by the convertible loan funding provider.

13. Share capital

Consolidated and Parent	2010 Shares	2009 Shares	2010 NZ$'000	2009 NZ$'000
Issued share capital				
Ordinary shares on issue at beginning of year	352,247,451	257,464,313	69,344	68,768
Shares issued in Rights Issue	-	-	-	-
Shares issued on conversion of notes	72,517,351	4,629,630	1,759	190
Shares issued for cash in private placements	-	40,306,174	-	1,903
Shares issued for cash under Share Purchase Plan	-	27,176,665	-	1,003
Shares issued as collateral and in lieu for capital raising fees	-	22,670,669	-	-
Share issue expenses – cash issue costs	-	-	(466)	(150)
– fair value of options granted	-	-	(1,779)	(2,370)
	424,764,802	352,247,451	68,858	69,344

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

(b) Share Options
2010 option grants
Throughout 2010 the Company granted 72,517,351 options in conjunction with monthly conversions of convertible notes under the facility described in note 12. The options have a term of 4 years from their grant date and are exercisable into ordinary shares on a one-for-one basis with exercise prices ranging from A$0.0163 to A$0.0337 per share.

2009 and prior grants
On 23 December 2009 the Company granted 40,306,174 options ("December 2009 Placement Options") in conjunction with a private placement on that date. The options are exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.0457 per share. The options expire on 23 December 2013.

On 4 December 2009 the Company granted 4,629,630 options ("December 2009 Conversion Options") in conjunction with partial conversion of a convertible note. The options are exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.0389 per share. The options expire on 4 December 2013.

On 18 November 2009 the Company granted 20,000,000 options ("November 2009 Options") in conjunction with obtaining a convertible loan facility. The options are exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.0445 per share. The options expire on 18 November 2013.

On 30 September 2008 the Company granted 750,000 options ("September 2008 Options") for underwriting services. The options are exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.15 per share. The options expired on 30 September 2010.

On 26 February 2008 the Company granted 3,000,000 options ("January 2008 Options") for future consulting services related to capital raising and financing activities. The options are exercisable into ordinary shares on a one-for-one basis with an exercise price of A$0.25 per share. The options expire on 7 February 2011.

Oceania & Eastern Biotech Limited is an investment company associated with interests of Dr Robin Congreve and held 1,528,892 options (the "O&E Options"). The O&E Options' exercise price was a fixed sum of NZ$600,000, exercisable into 1,528,892 ordinary shares (equivalent to NZ$0.392 per share). The options expired on 31 March 2009.

Auckland UniServices Limited ("UniServices") is the commercial research and knowledge transfer company for the University of Auckland and held 1,872,892 options ("UniServices Options"). The UniServices Options' exercise price was a fixed sum of NZ$735,000, exercisable into 1,872,892 ordinary shares (equivalent to NZ$0.392 per share). The UniServices Options expired on 31 March 2009.

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

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

Movements in the number of share options are as follows:

Consolidated and Parent	Options	Weighted Average Exercise Price (NZ$)	Exercisable	Weighted Average Exercise Price (NZ$)
Outstanding at 1 January 2009	22,587,627	$ 0.373	22,387,627	$ 0.373
Granted	64,935,804	$ 0.056		
Expired	(17,517,627)	$ 0.392		
Outstanding at 31 December 2009	70,005,804	$ 0.074	70,005,804	$ 0.074
Granted	98,517,351	$ 0.032		
Expired	(2,070,000)	$ 0.340		
Outstanding at 31 December 2010	166,453,155	$ 0.048	166,453,155	$ 0.048

The weighted average remaining contractual life of outstanding share options is as follows:

	2010		2009	
Consolidated and Parent	Options	Weighted Average Remaining Contract Life (years)	Options	Weighted Average Remaining Contract Life (years)
Exercise price range				
NZ$0.392 – NZ$0.472	-	-	1,320,000	0.3
A$0.15 – A$0.25	3,000,000	0.2	3,750,000	1.1
A$0. 0389 – A$0.0457	64,935,804	2.9	64,935,804	3.9
A$0. 0163 – A$0.0337	98,517,351	3.7	-	-
	166,453,155	3.4	70,005,804	3.7

The weighted average assessed fair value of options granted during the year determined using the Black-Scholes valuation model was NZ$0.027 per option (2009: NZ$0.036). The significant weighted average inputs into the model were a grant date share price of NZ$0.034 (2009: NZ$0.046), volatility of 139% (2009: 146%), dividend yield of 0% (2009: 0%), an expected option life of 3.3 years (2009: 3.0 years), and an annual risk-free interest rate of 4.26% (2009: 4.23%). The expected price volatility was derived by analysing the historic volatility of the Company's shares since listing on the ASX.

14. Deferred tax

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Deferred tax asset (liability)				
Amounts recognised in profit or loss				
Provisions and accruals	64	13	64	13
Property, plant and equipment	12	10	12	10
Intangible assets	(1,363)	(1,762)	(30)	(5)
Tax losses	22,376	21,580	17,361	16,130
	21,089	19,841	17,407	16,148
Unrecognised deferred tax assets	(21,089)	(19,841)	(17,407)	(16,148)
Deferred tax asset (liability)	-	-	-	-
Movements				
Deferred tax asset (liability) at the beginning of the year	-	-	-	-
Credited (charged) to the income statement (note 5)	911	2,081	770	675
Impact of loss of shareholder continuity	568	(568)	568	(568)
Exchange differences	(232)	(612)	-	-
Intra-group transfer	-	-	(80)	-
Change in unrecognised deferred tax assets	(1,247)	(901)	(1,258)	(107)
Deferred tax asset (liability) at the end of the year	-	-	-	-

Unrecognised tax losses of $1.3 million, $8.2 million, $10.4 million, $14.0 million, $17.5 million, $4.4 million and $2.8 million expire in 2012, 2013, 2014, 2015, 2016, 2017 and 2018 respectively.

15. 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	Principal activities	Interest held	Domicile	Amount due to (from) Parent 2010 NZ$'000	Amount due to (from) Parent 2009 NZ$'000
AgVentures Limited	7 October 2003	Dormant	100%	NZ	-	-
NeuroendocrinZ Limited	10 July 2002	Dormant	100%	NZ	-	-
Neuren Pharmaceuticals Inc.	20 August 2002	US Based Office	100%	USA	(41)	852
Hamilton Pharmaceuticals Inc.	2 April 2004	Clinical research	100%	USA	689	624
Neuren Pharmaceuticals (Australia) Pty Ltd	9 November 2006	Dormant	100%	Australia	-	-
Perseis Therapeutics Limited	25 March 2009	Preclinical research	72.2%	NZ	6	16

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

16. Commitments and contingencies

(a) Operating leases

The following aggregate future non-cancellable minimum lease payments for premises have been committed to by the Company, but not recognised in the financial statements. The Company moved premises in June 2008 and the new premises commitment is for a four year and four month lease commencing June 2008, with two two year rights of renewal, followed by two five year rights of renewal, and three yearly rental reviews throughout.

Consolidated and Parent	2010 NZ$'000	2009 NZ$'000
Not later than one year	148	148
Later than one year and not later than five years	111	259
Later than five years	-	-
	259	407

(b) Finance leases

The following aggregate future non-cancellable minimum lease payments for scientific equipment have been committed to by the Company:

Consolidated and Parent	2010 NZ$'000	2009 NZ$'000
Not later than one year	-	12
Later than one year and not later than five years	-	-
Later than five years		-
	-	12
Future finance charges	-	(1)
Total equipment finance (refer note 12)	-	11

(c) Legal claims

The Company has not entered into any collaborative arrangements and has no other significant legal contingencies as at 31 December 2010. During 2008 a claim by a former employee for a share of any proceeds received on commercialisation of a portion of the Neural Regeneration Peptides (NRP) intellectual property was lodged against the Company. The Company disclaimed liability and the claim was withdrawn during 2009.

(d) Capital commitments

The Company is not committed to the purchase of any property, plant or equipment as at 31 December 2010 (2009: nil).

17. Related party transactions

(a) Key management and personnel

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

Consolidated and Parent	2010 NZ$'000	2009 NZ$'000
Directors' fees and other short term benefits	262	307
CEO and management - short-term benefits	1,048	928
CEO and management - share-based payments	923	7
	2,233	1,242

In December 2009, in conjunction with a shareholder approved private placement Dr Trevor Scott subscribed for and was allotted 10,604,991 ordinary shares at A$0.0381 per share and 10,604,991 options over ordinary shares with an exercise price of A$0.0457 per option.

(b) Subsidiaries

Interests in and amounts due from subsidiaries are set out in note 15. The Parent funds the activities of the subsidiaries throughout the year through the intercompany accounts as needed. All amounts due between entities in the Group are payable on demand and bear no interest. During the year ended 31 December 2010 the Parent charged Perseis Therapeutics $56,000 (2009: $42,000) for monthly management and administrative services.

18. Events after balance date

As at the date of these financial statements there were no events arising since 31 December 2010 which require disclosure.

19. Financial instruments and risk management

(a) Categories of financial instruments

	Consolidated		Parent	
	2010 NZ$'000	2009 NZ$'000	2010 NZ$'000	2009 NZ$'000
Financial assets				
Cash and cash equivalents	1,956	4,232	653	1,695
Trade receivables	56	347	29	330
Total financial assets (loans and receivables classification)	2,012	4,579	682	2,025
Financial liabilities				
Amortised cost:				
Trade and other payables	2,257	3,093	1,399	2,700
Equipment finance	-	11	-	11
Convertible notes	598	490	598	490
Total financial liabilities	2,855	3,594	1,997	3,201

(b) Risk management
The Company and its subsidiaries are subject to a number of financial risks which arise as a result of its activities.

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

The Group does not utilise derivative financial instruments. It operates a policy of holding cash and cash equivalents in the currency of estimated future supplier payments, however it does not designate formal hedges and as such remains unhedged against foreign currency fluctuations. A foreign exchange loss of $78,000 is included in results for the year ended 31 December 2010 (2009: $203,000 gain).

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

	Consolidated		Parent	
	2010	2009	2010	2009
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Assets				
US dollars	6,001	9,297	733	1,495
Australian dollars	467	622	467	622
UK pounds	16	17	16	17
Liabilities				
US dollars	1,228	1,345	530	958
Australian dollars	822	993	822	990
UK pounds	261	153	137	153

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

	Consolidated		Parent	
	2010	2009	2010	2009
Decrease (increase) in loss after income tax	NZ$'000	NZ$'000	NZ$'000	NZ$'000
10% strengthening of NZ dollar against:				
US dollar	285	(139)	(18)	(49)
Australian dollar	32	31	32	31
UK pound	22	12	11	12
10% weakening of NZ dollar against:				
US dollar	(348)	170	23	60
Australian dollar	(39)	(44)	(39)	(44)
UK pound	(27)	(15)	(13)	(15)

Foreign currency denominated transactions occur consistently throughout the year. In management's opinion, the sensitivity analysis set out above is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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

The effective interest rates on financial assets are as follows:

	Consolidated		Parent	
	2010	2009	2010	2009
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Financial assets				
Cash and cash equivalents				
New Zealand dollar cash deposits	234	1,265	120	981
New Zealand dollar interest rate	3.6%	3.4%	3.6%	3.4%
US dollar cash deposits	1,080	2,079	-	-
US dollar interest rate	0.9%	1.1%	-	-
Australian dollar cash deposits	442	580	442	580
Australian dollar interest rate	4.2%	3.1%	4.2%	3.1%

The Company and Group's effective interest rates on financial liabilities are set out in note 12. Trade and other receivables and payables do not bear interest and are not interest rate sensitive.

The Company and Group's interest bearing financial assets bear interest at overnight deposit rates and accordingly any change in interest rates would have an immaterial effect on reported loss after tax. Similarly, the Company and Group's financial liabilities are at fixed or no interest rates, and accordingly a change in market interest rates would have no effect on reported loss after tax.

Credit risk
The Company and its subsidiaries incur credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The credit risk on financial assets of the Group, which have been recognised in the statement of financial position, is the carrying amount, net of any allowance for doubtful debts.

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

Liquidity risk
The maturities for the Company and Group's interest bearing financial liabilities are set out in note 12. The Company and Group's other financial liabilities, comprising trade and other payables, are generally repayable within 1 – 2 months, and are managed together with capital risk as noted below.

Capital risk
The Company manages its capital to ensure that constituent entities are able to continue as a going concern. The capital structure of the group consists of cash and cash equivalents, convertible notes and equity of the parent, comprising issued capital, reserves and accumulated deficit.

20. Going concern assumption

In the year ended 31 December 2010 the Group reported a net loss for the year of $6,445,000, and at year end had cash balances of $1,956,000. Whilst the Directors are continuing to monitor the Group's cash position and on an ongoing basis initiatives to ensure adequate funding continues to be available for the Group to meet its business objectives, the Directors' consider that global economic circumstances continue to present significant challenges in terms of the Group's ability to raise additional financing.

As previously announced the Group is in discussions with a number of parties concerning equity placements and partnering arrangements. No agreement has been reached as to terms, including price, in any of the discussions. There is no guarantee that the discussions will culminate in binding agreements. However, based on negotiations conducted to date the Directors have a reasonable expectation that they will proceed successfully, but if not the Group will need to secure additional funding from alternative sources.

The Group continues to receive grant funding from the US Army, covering direct costs associated with the Phase 2 clinical trial of NNZ-2566. In addition, development of the Group's second lead candidate Motiva® is progressing under grant funding to the Principal Investigator at Fremantle Hospital, Perth by the National Health and Medical Research Council (Australia), and the cancer research and development within the Group's subsidiary Perseis continues to be funded by the Breast Cancer Research Trust (New Zealand).

Notwithstanding this, the Directors' have concluded that the combination of these factors represent a material uncertainty that casts significant doubt upon the Group's and the Company's ability to continue as a going concern. If no funds are raised before the cash balances have been exhausted, the Group may cease to be a going concern and the Group may be unable to continue in operational existence. Nevertheless after making enquiries, and considering the uncertainties described above, the Directors' have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these financial statements. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

Independent Auditors' Report
to the Shareholders of Neuren Pharmaceuticals Limited

Report on the Financial Statements
We have audited the financial statements of Neuren Pharmaceuticals Limited on pages 14 to 32, which comprise the statements of financial position as at 31 December 2010, the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2010 or from time to time during the financial year.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Neuren Pharmaceuticals Limited or any of its subsidiaries other than in our capacities as auditors, taxation advisors and providers of other assurance services. These matters have not impaired our independence as auditors of the Company and Group.

Fundamental uncertainty
In forming our unqualified opinion, we have considered the disclosures made concerning the carrying values of intellectual property, and the ongoing need to fund the operating losses and future development of the Company's products. The ultimate realisation of the carrying values of intellectual property totalling $5,121,000 (after amortisation) is dependent on the Company successfully developing its products so that it generates future economic benefits to the Company. Details of the circumstances relating to these inherent uncertainties are detailed in note 1.

The financial statements have been prepared on a going concern basis, the validity of which depends on future capital and or debt being available to fund the development of products and other working capital requirements of the Company. Details of the circumstances relating to this fundamental uncertainty are detailed in note 20.

If the Company was unable to continue as a going concern for the foreseeable future or if the future economic benefits to be generated from intellectual property were less than their carrying amounts, adjustments would have to be made to reflect the situation that the assets may need to be realised at other than amounts at which they are currently recorded in the Statement of Financial Position.

Opinion
In our opinion, the financial statements on pages 14 to 32:
(i) comply with generally accepted accounting practice in New Zealand;
(ii) comply with International Financial Reporting Standards; and
(iii) give a true and fair view of the financial position of the Company and the Group as at 31 December 2010, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements
We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2010:
(i) we have obtained all the information and explanations that we have required; and
(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

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

PricewaterhouseCoopers

Chartered Accountants, Auckland
30 March 2011

Neuren Pharmaceuticals Limited

Additional Information

Equity Securities Held by Directors as at 14 March 2011

	Interests in Ordinary Shares		Interests in Options	
Director	**Direct**	**Indirect**	**Direct**	**Indirect**
R L Congreve	-	22,386,224	-	-
T D Scott	-	16,694,126	-	10,604,991
J D Wilson	-	135,000	-	-
G B Howie	50,000	55,000	-	-
J Holaday	-	-	-	-

Shareholding

Each ordinary share is entitled to one vote when a poll is called; otherwise on a show of hands at a general meeting every member present in person or by proxy has one vote.

The number of ordinary shareholdings held in less than marketable parcels at 14 March 2011 was 1,070, holding 9,792,193 ordinary shares.

The following information is presented based on share registry information processed up to and including 14 March 2011.

Distribution of Shareholders Analysis of numbers of ordinary shares by size of holding:	**Number of Shareholders**	**Number of Ordinary Shares**
1 – 1,000	138	29,635
1,001 – 5,000	318	1,205,541
5,001 – 10,000	281	2,366,556
10,001 – 100,000	786	33,357,064
100,001 and over	381	396,629,536
	1,904	433,588,332

Distribution of Optionholders Analysis of numbers of options by size of holding:	**Number of Optionholders**	**Number of Options**
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	7	167,864,920
	7	167,864,920

Substantial Security Holders who have notified the Company as at 14 March 2011 are:	**Number of Ordinary Shares**
CNF Investments LLC and associates	23,188,005
SpringTree Special Opportunities Fund, LP	Not disclosed

There are no securities subject to escrow.

Neuren Pharmaceuticals Limited

Twenty Largest Holders of ordinary shares:	**Number of Ordinary Shares**	**% Holding**
HSBC Custody Nominees (Australia) Limited	52,439,440	12.09
Essex Castle Limited	24,014,208	5.54
HSBC Custody Nominees (Australia) Limited <GSCO ECSA>	23,188,005	5.35
K One W One Limited	19,305,865	4.45
J P Morgan Nominees Australia Limited <Cash Income A/C>	16,988,517	3.92
Merrill Lynch (Australia) Nominees Pty Limited	11,909,338	2.75
J P Morgan Nominees Australia Limited	11,849,396	2.73
National Nominees Limited	11,444,059	2.64
Citicorp Nominees Pty Limited	10,378,257	2.39
Oceania & Eastern Biotech Limited	10,283,956	2.37
Mr Mladen Marusic	9,207,666	2.12
Pfizer Inc.	8,081,438	1.86
Centralo Limited	5,962,754	1.38
TAC Murray & Quartet Equities Limited <The Congreve Family A/C>	5,556,366	1.28
Hazardous Investments Limited	4,940,566	1.14
Waterview Custodian Limited	4,300,000	0.99
Mr He Zhao	4,000,000	0.92
Mr Roger Scott Alter	4,000,000	0.92
Mr Craig William Manners	3,825,000	0.88
Jarden Custodians Limited	3,181,497	0.73
Mr Robert Albert Boas	2,580,403	0.60
	247,436,731	57.07

Australian Stock Exchange Disclosures

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

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

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

Corporations Act, Australia - Directors' declaration

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

1. The financial statements on pages 14 to 32 of Neuren and its subsidiaries for the year ended 31 December 2010 and the notes to those financial statements:
   (a) comply with the accounting standards issued by the Institute of Chartered Accountants of New Zealand; and
   (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of Neuren and its subsidiaries.
2. In the Directors' opinion there are reasonable grounds to believe that Neuren will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated 30 March 2011.

On behalf of the Board

Dr Robin Congreve
Chairman

ANNUAL REPORT 2010

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