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Biota Holdings Limited
ABN 28 006 479 081

ASX Preliminary Final Report
Lodged with the ASX under Listing Rule 4.3
Year ended 30 June 2012
(Previous corresponding period: Year ended 30 June 2011)

Results for announcement to the market

				$'000
Revenue from ordinary activities	Up	53%	To	22,324
Loss from ordinary activities after tax attributable to members	Down	33%	To	18,814
Loss for the period attributable to members	Down	33%	To	18,814

Explanation of Revenue
Refer to the attached release entitled "Full Year Report" and Note 5 to the Financial Report for the year ended 30 June 2012.

Explanation of Profit/(Loss) from ordinary activities after tax attributable to members
Refer to attached release entitled "Full Year Report".

Dividends
The Company does not intend to declare a dividend at this time.

Financial Statements
Refer to attached Financial Report.

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Supplementary Information

Additional dividend/distribution information
No additional information.

Dividend/distribution reinvestment plans
The company does not have a dividend or distribution reinvestment plan.

Retained earnings/accumulated losses
Refer to Note 20 to the Financial Report.

NTA Backing	**2012**	**2011**
Net tangible assets per share	31 cents	41 cents

Controlled entities acquired or disposed of
N/A.

Associates and joint venture entities
N/A.

Other significant information
Refer to the attached release entitled "Full Year Report".

Commentary on results
Refer to attached release entitled "Full Year Report".

Audit
The Accounts are in the process of being audited.

Damian Lismore
Company Secretary
22 August 2012

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For Immediate Release

Melbourne, Australia — 22 August 2012

Full Year Report

Highlights

Strategic

- Inavir achieves market leadership in Japan.
- First four (4) milestones delivered under the BARDA contract.
- Explanatory Memorandum of the scheme of arrangement for the merger with Nabi despatched and the meeting of shareholders scheduled for 25 September 2012.

Clinical

- HRV (vapendavir) Phase IIb study delivers primary endpoint. Oral treatment results in statistically significant reduction in severity of respiratory symptoms in asthmatics.
- Inavir Phase III study on the prevention of influenza in Japanese subjects successfully achieved primary endpoint in August.

Preclinical

- Antibacterial and Hepatitis C (Non-Nucleoside) programs nominate preclinical candidates.

Financial

- Royalties total: $8.6 million.
- BARDA contract income: $10.6 million.
- Cash on hand at 30 June 2012: $52.9 million.
- Net Loss: $18.8 million.

Biota Holdings Limited (ASX: BTA) today announced a net loss after tax of $18.8 million, down from $28.1 million loss in F2011. Loss before tax was $19.3 million, down from a $29.2 million loss in the prior year.

Total revenues were $22.8 million compared to $17.1 million in F2011. Relenza royalties were $4.3 million (F11: $6.6m), Inavir royalties were $4.3m (F11: $2.9m), and US National Institutes of Health grant income was $0.5 million (F11: $2.5m). Income this year under the 5-year BARDA contract was $10.6 million (F11: $0.6m).

Expenses totalled $42.2 million, as opposed to $46.2 million in F2011, as the business reduced expenditure on early research programs from $23.6 million to $16.5 million and focussed on delivery of the BARDA contract with Product Development direct costs of $9.2 million (F11: $0.5m). F2012 expenses included $1.9 million attributable to the proposed merger with Nabi.

The Company's cash position at $52.9 million remains appropriate given the investment stage of our major programs.

Commenting on the results today, Biota CEO Peter Cook said:

> *"Biota's clinical programs have delivered particularly well this year. Vapendavir demonstrated its ability to reduce the severity of cold symptoms in naturally acquired rhinovirus infection in asthmatics as well as see a reduction in their use of bronchodilators and corticosteroids during and post infection. Laninamivir's successful Phase III prophylaxis study in Japan should allow Daiichi Sankyo to complete the range of marketing indications for this innovative product. The value of this study to our US program is significant.*
>
> *Our move to a listing in the USA, through the merger with Nabi, has progressed with the distribution of the Scheme Booklet and the shareholders' meeting scheduled for 25 September. The need for this move is integrally associated with the value of laninamivir to the US market and the BARDA contract and has the directors' unanimous support.*
>
> *Key planning milestones have been achieved under the BARDA contract and major progress has been made in the establishment of manufacturing capacity and technology transfer into the USA. These are essential precursors to the future clinical trials.*
>
> *We are pleased with Biota's progress in the six months ended 30 June. F2012 has been a year of refocussing the business to deliver on the BARDA contract. We have continued to manage our cash in a most responsible manner".*

Significant Events

- During the half, Biota announced its intended approach to listing in the USA through a merger with Nabi Biopharmaceuticals (Nabi). The merger provides Biota with a NASDAQ listing and approximately $US54 million in new equity capital. The directors believe that the proposal is the best interests of shareholders given the US BARDA contract and the potential value of laninamivir.

  The merger transaction was announced in April 2012 and the Scheme Booklet has been despatched in anticipation of the shareholders' meeting on Tuesday 25 September.

  Directors believe that the proposed merger with Nabi is in the best interests of shareholders and unanimously recommend that shareholders vote in favour of the Scheme.

- The Office of Biomedical Advanced Research and Development Authority (BARDA) of the US Department of Health and Human Services contracted Biota Scientific Management (BSM) in April 2010 to undertake the body of work to lodge a New Drug Application (NDA) for laninamivir, for the treatment of influenza infection. The contract, valued at up to US$231 million, will fund technical transfer, establishment of approved manufacturing capacity within the US and a range of clinical programs including Phase II and Phase III studies. Under the contract, the NDA is due to be filed in the first half of 2016.

  The four (4) planning milestones have been delivered on schedule, as follows:

  - Milestone 1: The product development plan, inclusive of preclinical and clinical activities.
  - Milestone 2: The clinical development and regulatory plan.

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- Milestone 3: The manufacturing facilities plan including the design, construction, commissioning, qualification and validation of premises.
- Milestone 4: The feasibility plan to manufacture, test and release product including pre-pandemic and pandemic management plans.

The final Milestone 5 is the filing of the New Drug Application.

- In Japan:
  - Inavir was launched in Japan in October 2010 by Daiichi Sankyo. 2011/2012 was the product's first full season achieving gross sales of ¥10.8 billion (approx. A$128.0m) and royalties to Biota of $4.3 million;
  - During the March quarter the peak of the Japanese influenza season, Inavir outsold Tamiflu and had secured 50% market share; and
  - On 22 August 2012, Daiichi Sankyo announced that Inavir had met its primary endpoint in a 1,500 patient Phase III prophylaxis study. The value of this result, in the context of the BARDA contract with laninamivir in the US, is significant.
- In July 2010, Biota commenced a human rhinovirus Phase IIb study with vapendavir in subjects with chronic asthma and with the primary endpoint, the severity of respiratory symptoms. On 28 March 2012, Biota announced that the primary endpoint of the study had been achieved along with a number of secondary endpoints associated with the management of the underlying asthma; and
- Preclinical candidates have been nominated from the antibacterial Gyrase program and the Hepatitis C non-nucleoside program.

About Biota

Biota is a leading anti-infective drug development company based in Melbourne Australia, with key expertise in respiratory diseases, particularly influenza. Biota developed the first-in-class neuraminidase inhibitor, zanamivir, subsequently marketed by GlaxoSmithKline as Relenza. Biota research breakthroughs include a series of candidate drugs aimed at treatment of respiratory syncytial virus (RSV) disease and Hepatitis C (HCV) virus infections. Biota has a well advanced program for human rhinovirus (HRV) infection with a completed Phase IIb study in asthmatic subjects.

In addition, Biota and Daiichi Sankyo co-own a range of second generation influenza antivirals, of which the lead product Inavir®, is marketed in Japan. Biota holds a contract from the US Office of Biomedical Advanced Research and Development Authority (BARDA) for the advanced development of laninamivir in the USA.

Relenza™ is a registered trademark of the GlaxoSmithKline group of companies.
Inavir® is registered to Daiichi Sankyo.

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FINANCIAL REPORT

	Notes	Consolidated 2012 $'000	2011 $'000
Revenue from continuing operations	5	22,324	14,605
Other income	6	538	2,466
Expenses:			
Research and development	7	(16,487)	(20,682)
- Amortisation of antibacterial programs acquired	13	-	(2,894)
Product development		(16,556)	(15,569)
Business development		(969)	(834)
Sub-royalty amortisation	7	(1,212)	(1,213)
Corporate - head office		(6,985)	(5,044)
Total expenses		(42,209)	(46,236)
Loss before tax		(19,347)	(29,165)
Income tax credit	8	533	1,075
Loss after tax		(18,814)	(28,090)
Loss attributable to members of Biota Holdings Limited		(18,814)	(28,090)
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		10	(352)
Other comprehensive expense, net of tax		10	(352)
Total comprehensive (loss)/income		(18,804)	(28,442)
Loss is attributable to:			
Owners of Biota Holdings Limited		(18,814)	(28,090)
Total comprehensive loss for the year is attributable to:			
Owners of Biota Holdings Limited		(18,804)	(28,442)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic loss per share	32	(10.3)	(15.5)
Diluted loss per share	32	(10.3)	(15.5)
Loss per share attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic loss per share	32	(10.3)	(15.5)
Diluted loss per share	32	(10.3)	(15.5)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	52,948	70,011
Trade and other receivables	10	7,225	4,060
Total current assets		60,173	74,071
Non-current assets			
Property, plant and equipment	11	4,867	5,457
Deferred tax assets	12	1,269	1,062
Intangible assets	13	1,775	2,971
Total non-current assets		7,911	9,490
Total assets		68,084	83,561
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,306	4,090
Deferred revenue	15	392	143
Provisions	16	2,537	2,152
Total current liabilities		9,235	6,385
Non-current liabilities			
Provisions	18	496	320
Total non-current liabilities		496	320
Total liabilities		9,731	6,705
Net assets		58,353	76,856
EQUITY			
Contributed equity	19	147,735	147,583
Reserves	20a	367	208
Accumulated losses	20b	(89,749)	(70,935)
Total equity		58,353	76,856

The above balance sheets should be read in conjunction with the accompanying notes.

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2010	**146,375**	**1,367**	**(42,845)**	**104,897**
Loss after tax	-	-	(28,090)	(28,090)
Exchange differences on translation of foreign operations	-	(352)	-	(352)
Total comprehensive loss for the year	**-**	**(352)**	**(28,090)**	**(28,442)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19b)	747	-	-	747
Employee share options (note 20a)	-	436	-	436
Transfer from share based payment reserve for options exercised (note 20a)	1,243	(1,243)	-	-
Purchase of treasury shares	(782)	-	-	(782)
	1,208	(807)	-	401
Balance at 30 June 2011	**147,583**	**208**	**(70,935)**	**76,856**
Loss after tax	-	-	(18,814)	(18,814)
Exchange differences on translation of foreign operations	-	10	-	10
Total comprehensive loss for the year	**-**	**10**	**(18,814)**	**(18,804)**
Transactions with owners in their capacity as owners:				
Employee share options (note 20a)	-	737	-	737
Transfer from share based payment reserve for options exercised (note 20a)	588	(588)	-	-
Purchase of treasury shares	(436)	-	-	(436)
	152	149	-	301
Balance at 30 June 2012	**147,735**	**367**	**(89,749)**	**58,353**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
		Inflows/(outflows)	
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		16,663	9,152
Payments to suppliers and employees (inclusive of GST)		(35,254)	(47,903)
Interest received		3,163	4,681
Net cash (outflow) from operating activities	31	(15,428)	(34,070)
Cash flows from investing activities			
Payments for plant, equipment and intangibles		(1,211)	(646)
Proceeds from sale of plant & equipment		2	11
Net cash (outflow) from investing activities		(1,209)	(635)
Cash flows from financing activities			
Proceeds from issue of shares	19b	-	747
Payments for Treasury shares	19e	(436)	(782)
Net cash (outflow) from financing activities		(436)	(35)
Net (decrease) in cash and cash equivalents		(17,073)	(34,740)
Cash and cash equivalents at the start of the year		70,011	104,867
Effects of exchange rate changes on cash and cash equivalents		(10)	(116)
Cash and cash equivalents at the end of the year	9	52,948	70,011

The above cash flow statements should be read in conjunction with the accompanying notes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Biota Holdings Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRSs

The consolidated financial statements and notes of Biota Holdings Limited also comply with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Biota Holdings Limited ("Company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the full year then ended. Biota Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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 (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains or 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 Group.

Non controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost, less any impairment, in the individual financial statements of Biota Holdings Limited.

(ii) Employee Share Trust

The Group has a trust to administer a part of the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the Biota Holdings Employee Share Trust are disclosed as treasury shares and deducted from contributed capital.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Strategic Steering Committee who is the chief operating decision maker.

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Biota Holdings Limited's functional and 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 income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of all the Group 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Royalties and profit share

Royalty and profit share income is recognised upon sales of the underlying product by external parties.

(ii) Research and development revenue

Research and development revenue is recognised on the following basis:

(a) On achieving "milestones" relating to the project;

(b) Over the term of the project; or

(c) When a re-imbursement is expected to align with related expenditure.

In 2011, Development revenue relates solely to the BARDA contract, which is recognised in accordance with (c) above.

(iii) Partnering revenue

Partnering income is recognised in accordance with the underlying agreement. Upfront and milestone payments are brought to account as revenue unless there is a correlation to ongoing research and both components are viewed as one (1) agreement, in which case the partnering revenue is amortised over the anticipated period of the associated research program. Unamortised partnering revenue is recognised on the balance sheet as Deferred Revenue.

(iv) Grants

Grants received from non-governmental organisations are recognised as income in the same period as the related services are performed.

(v) Interest

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

(f) Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Tax consolidation legislation

Biota Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Biota Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Biota Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Leases

Leases of property, plant and equipment, where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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 income statement on a straight-line basis over the period of the lease.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from the other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within thirty (30) days.

Collectability of trade receivables is reviewed on an ongoing basis. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement. An allowance for impairment of trade 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

(m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) 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 those with maturities greater than twelve (12) months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve (12) months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve (12) months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets – reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available–for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchase and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement with finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in reserves are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export income is recognised in the income statement within 'income'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relation to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Leasehold improvements 8 - 10 years
- Plant and equipment 3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(p) Intangible assets

(i) Royalty prepayments

Royalty prepayments represent expenditure to CSIRO and Victorian College of Pharmacy where the parties agreed to exchange variable royalty payments in relation to intellectual property, for a fixed upfront payment and a fixed contingent success payment. They have a finite useful life, usually being the period to the patent or contract expiry and are carried at the present value of costs at acquisition date less accumulated amortisation. Amortisation is based on the anticipated sales of the related product over the contract or product life.

(ii) Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits are capitalised to computer software. Amortisation is calculated on a straight-line basis over periods ranging from one (1) to three (3) years.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred. Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development and it is probable that the project will generate future economic benefit.

The expenditure capitalised comprises all directly attributable costs that can be measured reliably, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Capitalised development costs are recorded as intangible assets and amortised when the asset is ready for use, on a straight-line basis over its useful life.

(iv) Intellectual property

Intellectual property represents expenditure in acquiring new research programs. They have a finite useful life, usually being the period to the patent expiry or the next assessment of go/no-go decision point on the acquired programs.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within thirty (30) days of recognition.

(r) Provisions

Provisions including those relating to contingent consideration for the acquisition of assets are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one (1) item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Wages and salaries, annual leave and personal leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating personal leave expected to be settled within twelve (12) months of the reporting date are recognised in other payables 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.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. All employees are party to a defined contribution scheme and receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. These contributions are expensed as incurred.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Biota Employee Option Plan. Information relating to these schemes is set out in the Remuneration report.

The fair value of options allocated under the Biota Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at allocation date and recognised over the period during which the employees become unconditionally entitled to the options. Where appropriate, the fair value at allocation date is independently determined using the Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at allocation date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options allocated excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The market value of shares issued to employees for no separate cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity are the period between grant and when the employees become entitled to the shares.

(v) Deferred cash bonus

Deferred cash bonus rights are provided to the Chief Executive Officer. Information relating to this plan is set out in the Remuneration Report. The Company makes progressive provision for rights likely to vest. When rights vest the income statement will have reflected the full value of the rights over the vesting period.

(vi) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after reporting date are discounted to present value.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own entity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gains or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(v) Parent entity financial information

The financial information for the parent entity, Biota Holdings Limited, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of Biota Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Biota Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Biota Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Biota Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The result attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potential ordinary shares.

(x) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(y) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

(z) Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements and* AASB 128 *Investments in Associates and Joint Ventures and* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate instruments to minimise certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out by the Treasury Management Committee under policies approved by the Audit and Risk Committee and as delegated by the Board of directors. The Treasury Management Committee identifies, evaluates and hedges identifiable financial risks. The Audit and Risk Committee approves written principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

The Group and the parent entity hold the following financial assets and liabilities:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Financial assets		
Cash and cash equivalents	52,948	70,011
Trade and other receivables	11,489	4,060
	64,437	74,071
Financial liabilities		
Trade and other payables	6,306	4,090
	6,306	4,090

Major risks and the mitigation processes are outlined below:

(a) Market risk

(i) Foreign exchange risk

The Group operate internationally and is exposed to foreign exchange risk arising from various currency exposures, principally to the US dollar and UK sterling. Royalty income is derived on sales in all countries but exposure principally arises in the main market currencies, namely the US dollar, Japanese yen, European euro and UK sterling. This exposure impacts on the calculation of royalties for the period by the relevant licensees. Payments of royalties to Biota are made in Australian dollars.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Forward contracts and foreign cash deposits are used to manage foreign exchange risk.

The Treasury Management Committee is responsible for managing exposures in each foreign currency. The Group's risk management policy is to substantially hedge anticipated transactions when net exposures are reasonably certain to occur.

The Group's exposure (Parent entity: Nil) to foreign currency risk at the reporting date was as follows:

	30 June 2012		30 June 2011	
	USD	GBP	USD	GBP
Cash	2,436,434	2,941	37,979	4,527
Trade receivables	3,502,673	291,848	609,150	813,805

The major exposures of financial assets to USD are derived from the work performed under the BARDA contract which is billable and settled in USD. As far as possible, service providers bill in USD which mitigates the net exposure to the Group.

Sensitivity

Based on the financial instruments held at 30 June 2012 the gross profit after tax impacts for change in the Group's foreign exchange exposure would be:

	30 June 2012		30 June 2011	
Exchange rates	USD	GBP	USD	GBP
+/- 10 percent	A$265,654	A$500	A$50,332	A$63,647

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from investment of available funds in capital guaranteed instruments consistent with the Treasury Management Committee directives. The Group manages its cash flow interest rate risk by using floating and fixed interest rate instruments.

Sensitivity

Based on average cash balances held throughout 2012 the profit after tax impacts for changes in interest rates would be:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Interest rates		
+/- 50 basis points	319	232
+/- 100 basis points	568	464

(b) Credit risk

The Group has significant concentrations of credit risk. The very nature of Biota's business makes it dependent on a few large pharmaceutical companies and the US Government, from which it will receive income. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history and exposures are restricted through regular invoicing and cash collection. Derivative counterparties and cash transactions are limited to high credit quality financial institutions with a long term credit rating greater than A-1+ or covered by an Australian Federal Government Guarantee. The Group has policies that limit the amount of credit exposure to any one (1) financial institution. The following table sets out the cash deposits summary, and an analysis of trade receivables by customer type.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash at bank and short-term bank deposits		
AA/A-1+	19,948	57,011
A/A-1+	33,000	13,000
	52,948	70,011
Trade receivables		
New customers (less than 6 months)	-	613
Existing customers (more than 6 months) with no defaults in the past	5,874	1,970
Total trade receivables	5,874	2,583

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Treasury Management Committee maintains appropriate cash forecasts to ensure sufficient liquid funds to meet reasonable short term operational needs. All financial assets and liabilities are available at call or are due for settlement within the next 30 days.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. At 30 June 2012 no assets were held at fair value therefore no disclosure is required.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

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

(i) Carrying value of intangible assets

In accordance with accounting policies note 1(p), the Group expenses all research costs. The nature of the pharmaceutical industry in regard to drug development and subsequent licensing often means that when a program is licensed there are significant upfront payments with the potential of significant milestone and royalty entitlements. The recoverability of internally generated intellectual property carrying values in the balance sheet does not take account of potential licensing or sale transactions, as these cash flows cannot be estimated with sufficient reliability nor can the probability of their occurrence.

The carrying values of intangible assets are supported by anticipated future revenues or benefits arising from the underlying intangible assets. Intangible assets capitalised have traditionally been purchased from third parties.

The identification of useful lives of these intangibles also requires judgement. The amortisation of acquired intellectual property is over the period of economic benefit to the Group, which has been estimated based on the next Go/No-go decision point for the relevant project.

The amortisation of the Royalty Prepayment is based on current year sales as a proportion of the total anticipated future sales.

(ii) Carrying value of property, plant and equipment

The assets in question represent scientific equipment and facilities used by Biota in the pursuit of their research activities. For accounting purposes these assets are property, plant and equipment and subject to the impairment test as described in accounting note 1(j). AASB 136 Impairment of Assets defines the recoverable amount of an asset or group of assets as the higher of its fair value less costs to sell or value in use. Value in use is calculated using the present value of associated future cash flows. There are inherent issues about assessing the recoverability of Biota's assets because:

(a) Biota is engaged in research activities and therefore future cash flows directly related to the current projects are difficult to predict; and

(b) There is not an active secondary market for such assets and therefore their individual sales/fair value is limited and probably below carrying amount.

The nature of Biota's activities is such that the assets are classified as corporate assets as defined in AASB 136, being those assets which do not generate cash flows independently of other assets. AASB 136 requires that corporate assets be allocated to other groups of assets and tested for impairment on that basis. Where a reasonable allocation cannot be made to asset groups the standard permits corporate assets to be tested for impairment against entity wide value. Applying this principle our view is that their recoverable amount can therefore be determined as the higher of entity wide cash flows or in this case, Biota's market value.

(iii) Income tax

The Group is subject to income taxes in Australia and jurisdictions where it has, or has had, foreign operations. The Group estimates its tax liabilities based on the understanding of the tax laws and advice from tax experts. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determinations are made. Key matters that may affect income tax are:

(a) Recognition of tax losses

In determining the amount to be recognised in these accounts, management has estimated the amount for which there are sufficient taxable temporary differences and where there is convincing evidence that sufficient future taxable profit will be available. Given the industry the Group operates in, the historic volatility of revenue management need to conclude that the "convincing evidence" requirements of the standard are met for future taxable income. Management has determined that given these uncertainties, the evidence available for forecast profitability does not support the early recognition of tax losses.

(b) Taxation audits

From time to time, taxation authorities conduct audits on company returns. Whilst the Company uses its tax advisors in preparing and lodging tax returns and on advising on key matters, there can be no certainty that taxation authorities will subsequently reach the same conclusion as the Company, particular on technical matters.

4 SEGMENT INFORMATION

(a) Description of segments

Management had determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

The committee reviews the business from a divisional perspective (ie Research, Product Development and Corporate) and on a project basis. The business in predominantly managed on a divisional basis and so management has concluded that these divisions represent the operating and reportable segments of the business. The Group operates globally in developing its projects and has laboratories in Australia and England.

(b) Segment information provided to the strategic steering committee

The business segment information provided to the strategic steering committee for the reportable segments for the last two (2) financial years is set out in the table below:

Divisions	Research		Product Development		Corporate		Intersegment elimination		Total	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 '000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
External revenue	66	65	10,673	613	11,585	13,927	-	-	22,324	14,605
Intersegment revenue	-	-	-	-	4,837	4,499	(4,837)	(4,499)	-	-
Total segment revenue	66	65	10,673	613	16,422	18,426	(4,837)	(4,499)	22,324	14,605
Adjusted EBITDA	(14,157)	(21,312)	(5,862)	(14,404)	1,402	8,677	(-)	(97)	(18,617)	(27,136)
Depreciation & amortisation	1,609	4,574	52	8	1,325	1,334	-	-	2,986	5,916

The strategic steering committee reviews assets and liabilities on a consolidated basis monthly. Therefore, no measure of segment assets and liabilities is separately disclosed in this report.

Whilst the Group advances its programs globally, it has assets in two (2) geographical locations. The following table sets out the location of the Group's non current assets:

	Australia		England		Total	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non current assets	7,724	9,238	187	252	7,911	9,490

All revenue is generated by the Group's Australian based operations, although counterparties may be in other countries.

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from royalty on sales, grants for institutions and funding agreements with partners. Revenue is derived from a small number of sources, and of which three contribute greater than 10% of revenue.

Segment revenue is equal to total revenue from continuing operations

(ii) Adjusted EBITDA

A reconciliation of adjusted EBITDA to operating loss before income tax is provided as follows:

	Consolidated	
	2012 $'000	2011 $'000
Adjusted EBITDA	**(18,617)**	**(27,136)**
Interest revenue	3,067	4,414
Depreciation	(1,704)	(2,114)
Amortisation	(1,282)	(3,802)
Share expense	(811)	(528)
Loss before income tax from continuing operations	**(19,347)**	**(29,165)**

5 REVENUE

	Consolidated 2012 $'000	Consolidated 2011 $'000
From continuing operations		
Royalty income	8,558	9,564
Collaboration income		
- Development revenue	10,626	613
	19,184	10,177
Other revenue		
Interest revenue	3,067	4,414
Other revenue	73	14
Revenue from continuing operations	22,324	14,605

Development revenue relates to the cost plus fee contract awarded by BARDA, of the US Department of Health and Human Services.

6 OTHER INCOME

	Consolidated 2012 $'000	Consolidated 2011 $'000
Grants-Other Governments	538	2,466

The National Institutes of Health (NIH) has awarded grant funds to complete research and development of the selected programs. There are no unfulfilled conditions or other contingencies related to this portion of the grant.

7 EXPENSES

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Loss before income tax includes the following specific expenses:			
Depreciation			
- Plant and equipment		928	993
- Leasehold improvements		776	747
Total depreciation		1,704	1,740
Amortisation of computer software		70	69
Amortisation of antibacterial intangible assets acquired.	13	-	2,894
Sub-royalty expense			
- Amortisation of royalty prepayment		1,212	1,213
Loss on disposal of plant and equipment		8	128
Rental expense relating to operating leases			
- Minimum lease payments		736	820
- Sub-leases		123	95
Total rental expense relating to operating leases		859	915
Employee benefits expense		15,162	13,764
Superannuation expense		1,054	1,044
Research and development expenses		16,487	20,682
Finance costs			
- Net foreign exchange loss/(gain)		(76)	27
Total finance costs		(76)	27

8 INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the result. The differences are reconciled as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Income tax credit		
Current tax	326	1,170
Deferred tax	207	(95)
	533	1,075
Income tax credit is attributable to:		
Loss from continuing operations	533	1,075
Aggregate income tax credit	533	1,075
Deferred income tax expense included in income tax comprises:		
Increase/(decrease) in deferred tax assets (note 12)	207	(95)
	207	(95)
(b) Numerical reconciliation of income tax credit/(expense) to prima facie tax		
Loss from continuing operations before income tax	(19,347)	(29,165)
Tax credit at the Australian tax rate of 30%	5,804	8,750
Adjusting items		
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	(233)	(117)
Non-taxable amortisation	232	(106)
Research and development eligible expenditure	(2,843)	1,295
UK Research and development tax credit	326	1,170
Sundry items	(75)	(27)
	3,211	10,965
UK tax losses and timing differences not recognised	(1,714)	(3,032)
Current year Australian losses not brought to account	(964)	(6,858)
Income tax credit	533	1,075
(c) Unrecognised temporary differences and tax losses		
Australian		
- Group tax losses	34,164	22,860
- Transferred tax losses	17,555	17,553
	51,719	40,413
United Kingdom		
- Trading losses and temporary differences	26,372	23,981
Tax effect of unrecognised temporary differences and tax losses for which no deferred tax asset has been recognised	20,790	22,196

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2012 to the extent that the directors do not believe that it is appropriate to regard realisation of the future income tax benefit as probable. Note 3(a) (iii) explains the approach taken.

The recoverability of all of the unrecognised tax losses is dependent on continuing to meet the relevant tax laws. Group tax losses (those incurred after the Group entered into the tax consolidation regime) can be fully offset against future taxable income. Transferred tax losses (those which arose prior to entry into the tax consolidation regime) can only be utilised to the extent allowed by the tax consolidation rules. This only allows utilisation of a proportion of transferred losses in a given year, dependant on the "available fraction" calculation. Currently transferred tax losses are recoverable on a 53.7% basis, ie for every dollar of taxable income only 53.7 cents can be offset by transferred tax losses.

(d) Tax consolidation legislation

Biota Holdings Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(g).

(e) Taxation audit

The Australian Taxation Office (ATO) initiated a Comprehensive Tax Review ("Review") on 30 October 2009 for the 2007-2009 income tax years. The ATO changed the scope of the Review to a Taxation Audit in 2011. In May 2012, the ATO advised the Company that they had concluded their audit and that no adjustments were necessary to the Biota Australian Tax Returns as lodged.

9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash		
Cash at bank and on hand	19,948	10,011
Deposits at call	33,000	60,000
	52,948	70,011

Cash balances include $0.2 million (2011: $0.1m) in respect of advance payments by the National Institutes of Health to progress the CDIF program. This balance can only be used to fund related research expenditure.

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balance per cash flow statements	52,948	70,011

(b) Risk exposure

The exposure to interest rate and counterparty credit risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $'000	**2011 $'000**
Trade receivables and accrued income	5,874	2,583
Other receivables	498	776
Deposits paid	72	72
Accrued interest	156	252
Prepayments	625	377
	7,225	4,060

(a) Impaired trade receivables

There were no impaired trade receivables for the Group in 2012 (2011: Nil).

(b) Past due but not impaired

Trade and other receivables are not past due.

(c) Foreign exchange and interest rate risk

Trade and other receivables are not exposed to foreign currency risk or interest rate risk (see note 2).

(d) Fair value and credit risk

Due to the nature of these receivables, the carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant as is the fair value of any collateral sold or re-pledged. Note 2 provides information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	**Plant & equipment $'000**	**Leasehold improvements $'000**	**Total $'000**
At 1 July 2010			
Cost	6,452	6,512	12,964
Accumulated depreciation	(3,429)	(2,774)	(6,203)
Net book amount	3,023	3,738	6,761
Year ended 30 June 2011			
Opening net book amount	3,023	3,738	6,761
Additions	613	-	613
Disposals	(166)	-	(166)
Exchange differences	(6)	(5)	(11)
Depreciation charge	(993)	(747)	(1,740)
Closing net book amount	2,471	2,986	5,457
At 30 June 2011			
Cost	6,447	6,506	12,953
Accumulated depreciation	(3,976)	(3,520)	(7,496)
Net book amount	2,471	2,986	5,457
Year ended 30 June 2012			
Opening net book amount	2,471	2,986	5,457
Additions	742	392	1,134
Disposals	(27)	-	(27)
Exchange differences	6	1	7
Depreciation charge	(928)	(776)	(1,704)
Closing net book amount	2,264	2,603	4,867
At 30 June 2012			
Cost	6,864	6,899	13,763
Accumulated depreciation	(4,600)	(4,296)	(8,896)
Net book amount	2,264	2,603	4,867

12 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
The balance comprises temporary differences attributable to:			
Unrealised foreign exchange losses		-	1
Employee benefits		888	720
Intangibles		890	941
Accruals		842	194
Deferred revenue		118	-
Blackhole expenses – expenditure claimable in future years		276	-
Property, plant & equipment		82	43
Total deferred tax assets		3,096	1,899
Set-off of deferred tax liabilities pursuant to set-off provisions	17	(1,827)	(837)
Net deferred tax assets		1,269	1,062

All movements in deferred tax amounts have been reflected in the income statements.

13 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Intellectual property $'000	Computer software $'000	Royalty prepayment $'000	Total $'000
At 1 July 2010				
Cost	12,024	1,586	13,762	27,372
Accumulated amortisation	(8,946)	(1,412)	(9,704)	(20,062)
Net book amount	3,078	174	4,058	7,310
Year ended 30 June 2011				
Opening net book amount	3,078	174	4,058	7,310
Additions	-	33	-	33
Disposals	-	(12)	-	(12)
Impact of exchange rate movement	(184)	-	-	(184)
Amortisation charge	(2,894)	(69)	(1,213)	(4,176)
Closing net book amount	-	126	2,845	2,971
At 30 June 2011				
Cost	10,472	1,525	13,762	25,759
Accumulated amortisation	(10,472)	(1,399)	(10,917)	(22,788)
Net book amount	-	126	2,845	2,971
Year ended 30 June 2012				
Opening net book amount	-	126	2,845	2,971
Additions	-	86	-	86
Disposals	-	-	-	-
Impact of exchange rate movement	-	-	-	-
Amortisation charge	-	(70)	(1,212)	(1,282)
Closing net book amount	-	142	1,633	1,775
At 30 June 2012				
Cost	10,657	1,595	13,762	26,014
Accumulated amortisation	(10,657)	(1,453)	(12,129)	(24,239)
Net book amount	-	142	1,633	1,775

14 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current (unsecured)		
Trade payables	2,805	2,673
Other payables	3,501	1,417
	6,306	4,090

(a) Risk exposures

Information of the Group's exposure to foreign exchange risk is provided in note 2.

15 CURRENT LIABILITIES – DEFERRED REVENUE

	Consolidated 2012 $'000	Consolidated 2011 $'000
Deferred revenue	392	143

Deferred revenue represents amounts received in advance from government grant authorities which will be released to revenue as expenses occur.

16 CURRENT LIABILITIES – PROVISIONS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee benefits	2,537	2,152

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. Based on experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next twelve (12) months.

The following amounts reflect leave that is not expected to be taken or paid within the next twelve (12) months.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Long service leave obligation expected to be settled after 12 months	344	318

17 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
The balance comprises temporary differences attributable to:			
Unrealised foreign exchange losses		19	-
Property, plant & equipment		-	86
Prepayments		7	4
Accrued income		1,801	747
		1,827	837
Set-off of deferred tax assets pursuant to set-off provisions	12	(1,827)	(837)
Net deferred tax liabilities		-	-

All movements in deferred tax liabilities have been reflected in the income statements.

18 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee benefits	496	320

19 CONTRIBUTED EQUITY

(a) Share capital	Notes	Consolidated 2012 Shares '000	Consolidated 2011 Shares '000	Consolidated 2012 $'000	Consolidated 2011 $'000
Ordinary shares Fully paid	(b) (c)	182,350	181,417	149,184	148,616
Treasury shares	(e)	-	-	(1,449)	(1,033)
Total contributed equity				147,735	147,583

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2010	Opening balance	179,209,987		146,626
8 July 2010	Transfer from share based payment reserve	34,166	$0.77	26
19 August 2010	Transfer from share based payment reserve	634,203	$0.77 - $1.40	565
22 October 2010	Share issue	813,021	$0.92	747
23 December 2010	Transfer from share based payment reserve	114,188	$1.40	40
2 March 2011	Transfer from share based payment reserve	611,991	$1.21 - $1.86	612
30 June 2011	Balance	181,417,556		148,616
18 August 2011	Transfer from share based payment reserve	286,155	$0.77-$1.95	339
9 March 2012	Transfer from share based payment reserve	145,122	$0.84-$1.40	32
28 March 2012	Transfer from share based payment reserve	5,124	$0.95	5
26 April 2012	Transfer from share based payment reserve	127,682	$1.11	137
2 May 2012	Transfer from share based payment reserve	35,877	$0.84-$1.40	8
22 May 2012	Transfer from share based payment reserve	332,800	$0.84-$1.40	67
22 May 2012	Treasury shares allocated	-		(20)
30 June 2012	Balance	182,350,316		149,184

(c) Options

Information relating to the Biota employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, are set out in the Remuneration report and in notes 23 and 24.

(d) Rights attached to ordinary shares

Ordinary shares have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote.

(e) Treasury shares

Treasury shares are shares in Biota Holdings Limited that are held by the Biota Holdings Employee Share Trust for the purpose of issuing shares under the Biota employee option plan. During the year 551,103 (2011: 831,255) shares were acquired at a cost of $436,310 (2011: $781,245).

(f) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

20 RESERVES AND ACCUMULATED LOSSES

	Consolidated	
	2012 $'000	**2011 $'000**
(a) Reserves		
Share-based payments	1,129	980
Foreign currency translation	(762)	(772)
	367	208
Movements		
Share-based payments reserve		
Balance 1 July	980	1,787
Equity retention incentive expense for the year	597	168
TSR equity incentive expense for the year	140	268
Transfer to share capital (options exercised)	(588)	(1,243)
Balance 30 June	1,129	980
Foreign currency translation reserve		
Balance 1 July	(772)	(420)
Currency translation differences arising during the year	10	(352)
Balance 30 June	(762)	(772)
(b) Accumulated losses		
Balance 1 July	(70,935)	(42,845)
Net loss attributable to the members of Biota Holdings Limited	(18,814)	(28,090)
Balance 30 June	(89,749)	(70,935)

(c) Nature and purpose of reserves

The share-based payments reserve is used to recognise:

- The fair value of options issued to employees but not exercised;
- The fair value of shares issued to employees; and
- The issue of shares held by the Biota Holdings Employee Share Trust to employees.

The foreign currency translation reserve is exchange differences arising on translation of the foreign controlled entity and is also recognised in other comprehensive income as described in note 1(d).

21 DIVIDENDS

Franking credits available at the 30% tax rate after allowing for tax payable in respect of the current year's taxable income, for the year ended 30 June 2012, are $4,168,101 (2011: $4,168,101).

22 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

(a) Merger related expenses

Transaction and other costs incurred (or which are expected to be incurred) by Biota in relation to the implementation of the Merger are currently estimated at $6.0 million, comprising adviser, investment banker, legal, accounting and expert fees (including termination rights and long-term incentive options) and various other costs. Currently $1.9 million of these costs have been recognised in the financial statements.

(b) Research and Development tax incentive

An application for a claim of $4.2 million will be made under the Research and Development tax incentive ("Offset") when the Company submits its 2012 tax return. As this is the first year of the Offset, directors believe it is appropriate to understand how the offset will be administered by the Australian Taxation Office and AusIndustry before recognition in the financial statements.