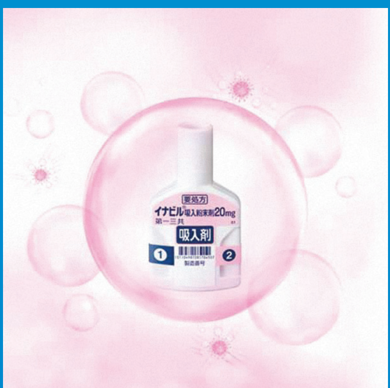

Annual Report 2012

biota

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 now scheduled for October 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.**

CONTENTS

CORPORATE DIRECTORY

Directors

James Fox – Chairman
Paul Bell
Peter Cook – Chief Executive Officer
Jeff Errington
Ian Gust
Richard Hill

Company Secretary

Damian Lismore – Chief Financial Officer

Registered & Corporate Office

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F: +61 3 9915 3702
W: www.biota.com.au

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E: info@biota.com.au

Share Registry

Link Market Services Limited
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T: 1300 554 474 (within Australia)
T: +61 2 8280 7111 (outside Australia)
F: +61 2 9287 0303
E: registrars@linkmarketservices.com.au
W: www.linkmarketservices.com.au

Stock Exchange

Australia
Biota Holdings Limited is a public company listed with the Australian Securities Exchange. ASX:BTA

US
Biota shares are traded in the US via American Depositary Receipts. ADR:BTAHY

CHAIRMAN'S & CEO'S REPORT

HIGHLIGHTS

The year has generated a number of significant events for the Company, at all levels including operational, strategic and clinical. The Board are particularly pleased with a) the progress being made on laninamivir, both by Daiichi Sankyo in the Japanese market and by the Biota development team's delivery on the BARDA contract and b) progress with the proposed merger with Nabi and the Scheme of Arrangement, central to our listing in the United States.

2012 has unfortunately continued to be a difficult time for investors and the directors have taken active steps to address the issue of value recognition; nevertheless the year has seen a number of significant and major achievements:

- Inavir has achieved market leadership in Japan in only its second season after launch, generating $4.3 million in royalties for Biota;
- Significant progress has been made under the US$231 million BARDA contract and all of the early stage milestones have been delivered;
- An Explanatory Memorandum for the scheme of arrangement for the merger with Nabi Biopharmaceuticals has been forwarded to all shareholders, with a Supplementary Explanatory Memorandum describing the revised proposal announced on 18 September 2102, to be sent to shareholders shortly;
- HRV Phase IIb clinical study of vapendavir (BTA798), delivered its primary endpoint of the reduction in severity of respiratory symptoms, in asthmatics;
- Inavir's Phase III prevention study in Japan, announced in August 2012, successfully achieved its primary endpoint of a protective efficacy of greater than 70%;
- Both the Gyrase antibacterial (GYR) and the Hepatitis C non-nucleoside(HCV-NN) programs nominated preclinical candidates; and
- Royalties totalled $8.6 million; BARDA contract income increased to $10.6 million; cash on hand at 30 June $52.9 million; reported Net Loss $18.8 million.

FINANCIAL REPORT

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).

Total expenses were $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.

A net loss of $18.8 million was reported, consistent with our continued investment in key programs.

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

LICENSED PRODUCTS

Zanamivir

Biota licensed zanamivir, the world's first in class neuraminidase inhibitor (influenza antiviral), to Glaxo (now GlaxoSmithKline (GSK)) in 1990. This compound was subsequently marketed as Relenza in 1999. GSK hold exclusive rights to manufacture, market and sell zanamivir globally.

Royalties for Relenza this year were $4.3 million, a similarly low figure to last year, given the performance in the previous few years which had seen record sales triggered by concerns over a global pandemic. The high global stockpiles of neuraminidase inhibitors, built in response to the 2009H1N1 influenza outbreak have continued to subdue demand in F2012. The threat of another influenza pandemic remains and there are a number of countries that have aging stockpiles that will need to be replaced from F2012, which apart from some isolated exceptions, have not commenced. Relenza royalties are expected to continue to provide an important revenue stream during the remaining patent life, which expire at the end of 2014 in the United States, mid 2015 in the European Union and 2019 in Japan.

Influenza outbreaks are highly variable in terms of severity, frequency and morbidity. Despite the lifesaving nature of Relenza and its many clinical advantages, including its resistance profile, the market will continue to be volatile, unpredictable and difficult to forecast.

Laninamivir

In the F2011 Annual Report, we identified that two major advances had occurred with this project and had opened up the possibility of a new direction for the Company.

Those two advances were:

- The approval of the laninamivir's New Drug Application (NDA) by the Japanese Health authorities; and
- The award of a US$231 million contract from Biomedical Advanced Research and Development Authority (BARDA) part of the Office of the Assistant Secretary for Preparedness and Response (ASPR) at the United States Department of Health and Human Services (HHS).

Inavir (laninamivir) was launched in Japan in October 2010 by Daiichi Sankyo. 2011/2012 was the product's first full season and achieved gross sales of ¥10.8 billion (A$128.0 million) and royalties to Biota of $4.3 million. In the first six months of 2012, a period that included the peak of the Japanese influenza season, Inavir outsold Tamiflu and achieved a market share of 50% by value.

Additionally, in August 2012, Daiichi Sankyo announced that Inavir had met its primary endpoint, a protective efficacy of greater than 70% in a 1,500 subject Phase III prevention study and that they intended to apply for approval to market Inavir for the prevention of influenza before the end of 2012.

The BARDA contract is intended to cover costs (and a fee) associated with the body of work to lodge an NDA for laninamivir, for the treatment of influenza infection, with the US Food and Drug Administration (FDA). At this stage the contract only covers the work for the treatment indication. The specific work associated with the contract includes technical transfer to the USA, the establishment of approved manufacturing capacity within the United States for the synthesis of the active pharmaceutical ingredient (API), the injection moulding of the proprietary inhaler and the production of the finished dose form and a range of clinical programs including certain Phase I, Phase II and Phase III studies. Under the contract the NDA is due to be filed in the first half of 2016.

The four planning milestones have been delivered on or ahead of schedule:

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

Background notes on laninamivir

Biota's long acting neuraminidase inhibitor (LANI) program was implemented to address the limitations of the first generation neuraminidase inhibitors, which require daily or more frequent dosing. The ability to dose patients on a "one and done" basis for treatment and once weekly for prevention, offers a number of potential benefits. These include the patient being more likely to use the product as and when intended, as well as a reduced cost of storage and deployment, where the product is intended to be stockpiled.

In 2003, Biota and Daiichi Sankyo merged their respective LANI programs. Under the co-ownership agreement, Daiichi Sankyo held an option to manufacture and sell the product in Japan, in return for funding an extensive range of Japanese clinical trials. The co-ownership agreement with Daiichi Sankyo provides Biota with royalties of between 4% and 6% on sales in Japan as well as a series of fixed sum payments on the achievement of specified sales milestones.

Nomenclature

Laninamivir octanoate (or **CS-8958**) is a pro-drug and is converted in lung cells to its active species **laninamivir** (or **R-125489**). **Laninamivir** is the generic name of the lead candidate to emerge from Biota's and Daiichi Sankyo's long acting neuraminidase inhibitor (**LANI**) program. Daiichi Sankyo's recently launched brand in Japan is **Inavir®**. The pronunciation of laninamivir is difficult and many commentators continue to use the project name of **LANI** as a contraction of **laninamivir.**

THE SCHEME OF ARRANGEMENT

In April 2012, Biota announced its intended approach to listing in the USA through a merger with Nabi Biopharmaceuticals. The original Explanatory Memorandum was despatched to all shareholders in August. Biota announced revised terms for the merger in September 2012. If the merger proceeds, it will provide Biota with a significantly increased US shareholder base to support liquidity in the US market, an additional injection of capital at no discount to the prevailing Biota share price and a NASDAQ listing. There are a number of other advantages that are detailed in the Explanatory Memorandum provided to shareholders for the scheme of arrangement.

When compared to the original terms the revised terms involve a reduction in the cash to be contributed by Nabi but at no discount to the prevailing share price, the retention of a greater proportion of the combined company by existing Biota shareholders and a share price range in which the transaction can conclude. Details of these revised terms will be provided to all shareholders in a Supplementary Explanatory Memorandum well ahead of the shareholder meeting likely to be re-scheduled to late October.

The Independent Expert has concluded that the merger on the revised terms continues to be in the best interests of Biota shareholders, given the Company's objectives.

Biota's directors unanimously recommend that Biota shareholders vote in favour of the merger.

CLINICAL PROGRAMS

HRV

Human rhinovirus (HRV) infections are frequently associated with the common cold, a mild disease in otherwise healthy individuals. However, there is a mounting body of medical evidence that links rhinovirus infections in subjects with concurrent underlying lung disease with exacerbations which require significant medical intervention to reinstate control of the underlying disease. In such subjects, rhinovirus may prove to be one of the direct contributory causes of the underlying medical condition becoming chronic.

In June 2009, our lead candidate (vapendavir, BTA798) was demonstrated to reduce the incidence and severity of an induced HRV infection in healthy subjects.

In July 2010, Biota commenced a 2-year Phase IIb study with vapendavir in subjects with chronic asthma and with the primary endpoint, the severity of respiratory symptoms. In March 2012, Biota announced that the primary endpoint of the study had been achieved in conjunction with a number of secondary endpoints associated with the management of the underlying asthma.

Biota is sharing the results of this study with a number of pharmaceutical companies to explore their interest in conducting important Phase II clinical studies through a commercial licence for vapendavir.

PRECLINICAL PROGRAMS

RSV

Respiratory syncytial virus is the major cause of bronchiolitis, a serious repiratory infection which affects most children by the age of two. Premature infants are particularly at risk of severe complications and there are no therapeutic treatments available. Biota has been active with its RSV program for a number of years and has licensed an earlier lead compound to MedImmune/Astra Zeneca.

Since then Biota has continued to advance the new program and as we identified last year, the new candidate has an excellent pharmacokinetic profile and one of the few prospective drugs suitable for oral administration and that has demonstrated potent inhibition of RSV in both culture and animal models.

The product remains at the preclinical stage of development with extended toxicology studies currently underway supported by the US National Institute of Health and are intended to support product interest with prospective licensees.

HCV

Biota has two early stage programs of potential use in the treatment of Hepatitis C virus (HCV) infection. Either or both compounds are likely to be of use in second or third generation "fixed combination" hepatitis C antivirals being developed by large pharma. HCV fixed combination products involve the use of two or more antivirals, each with an alternate mode of action such that any genetic changes in the virus that reduce the efficacy of one of the components, allows the other(s) to maintain overall antiviral competence.

These compounds from these programs therefore have the potential to become a useful part of a product involving active ingredients form other companies.

The HCV non-nucleoside (HCV-NN) program has advanced to the stage of nomination of lead candidate. The compound is an NS5b inhibitor, nano-molar potent, pan genotypic orally bio-available and intended for use in an interferon free fixed combination product.

Biota has recently been granted a US patent in respect of the lead compound from the HCV nucleoside program. However another company is challenging the US patent office's decision to grant this patent and the matter may take some period of time to resolve.

Gyrase antibacterial

Biota acquired the antibacterial assets of Prolysis in late 2009. The lead program was a targeting the dual gyrase/topoisomerase site associated with DNA supercoiling in gram positive bacteria. The gyrase/topoisomerase site is a well validated antibacterial target offering the promise that a single compound if capable of disrupting both sites, would require the bacteria to undertake two simultaneous mutations to emerge resistant.

Biota has recently nominated a lead candidate effective against both GyrB/ParE, effective against multi-drug resistant bacteria and capable of use both intravenously and orally – a highly desirable attribute for the physician. The compounds are covered by a comprehensive and strong IP position.

OUTLOOK

The Company's lead project laninamivir has progressed well during the year with much of the planning work in conjunction with BARDA, now completed. The funding for this work is secure through BARDA and we expect expenditure under this program to approximately double each year for the next three years. While the work program itself is extensive and is taking Biota into development areas new to Biota, management are confident that the program is substantially technically and clinically de-risked and therefore has reasonably assured outcomes.

On the medium term, the Company is setting its focus on the transformation needed to market laninamivir into the stockpile channel, which should generate a major shift in earnings and margins, without the need for undue expansion or business complexity. Biota is committed to extracting this potential for shareholders and the proposed listing on NASDAQ through the Nabi merger and the relocation of Biota's corporate activities to the United States is one of the key steps for this to occur.

Under our current business model of licensing our programs to big pharma, we remain highly dependent on their success and preparedness to invest in new and promising products. The last few years have not been strong for big pharmas. Most of the majors have seen one or more of their blockbuster drugs come off patent which they have not been able to readily replace with new products. Additionally, they have seen significant margin erosion as governments control health care costs in this significant area of expenditure.

While there will always be examples counter to this general trend, shareholders do need to recognise that potential customers are operating under such constraints. There will be lasting effects from the 2007 financial crisis which has changed the general commercial environment significantly, particularly regarding investment hurdles, returns and risk, including for our customers.

Biota's board has outlined how we are preparing to address this changing landscape and thank shareholders for the significant support they have shown to the changes we have proposed. The year has also been demanding on a number of our staff and we wish to thank them for their dedication and the outstanding progress they have brought to the projects, as well as to our fellow directors for their considerable counsel.

James Fox
Chairmain

Peter Cook
CEO

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group), consisting of Biota Holdings Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The following persons were directors of Biota Holdings Limited during the reporting period and up to the date of this report:
James Fox (Chair), Paul Bell, Peter Cook, Jeff Errington, Ian Gust and Richard Hill.

PRINCIPAL ACTIVITIES

The principal continuing activity of the Group during the financial year was drug discovery and clinical development of anti-infectives, suitable for human use and commercialisation.

REVIEW OF OPERATIONS

The Group result for the year ended 30 June 2012 was a net loss after tax of $18.8 million (2011: loss of $28.1m). The loss before tax was $19.3 million (2011: loss $29.2m). The Group benefited from an income tax credit of $0.5 million (2011: $1.1m)

Total revenues were $22.9 million compared to $17.1 million in F2011. Relenza royalties were $4.3 million (2011: $6.6m), Inavir royalties were $4.3 million (2011: $2.9m). Income under the BARDA contract was $10.6 million (2011: $0.6m).

Costs decreased to $42.2 million (2011: $46.2m) with $9.2 million (2011:$0.5m) attributable to work under the BARDA contract and $1.9 million (2011:Nil) attributable to merger related activities. Costs in 2011 included amortisation costs of $2.9 million in relation to the 2009 acquisition of antibacterial assets.

Cash at 30 June 2012 was $52.9 million (2011: $70m).

The Company is pursuing a merger with Nabi Biopharmaceuticals Inc, a NASDAQ listed entity. Shareholders of both companies are anticipated to vote on the proposed merger in October 2012.

DIVIDENDS

No dividend was declared during the year and directors do not recommend the payment of a dividend.

LOSS PER SHARE

	2012 Cents	2011 Cents
Basic loss per share	(10.3)	(15.5)
Diluted loss per share	(10.3)	(15.4)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years;

(b) The results of those operations in future financial years; or

(c) The Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to undertake drug discovery and clinical development of anti-infectives suitable for human use and commercialisation.

INFORMATION ON DIRECTORS AS AT 30 JUNE 2012

James Fox
BE (Hons) M.Eng Sci., PhD, FTSE
(Chairman, non-executive director)

Experience and Expertise
James Fox joined the Board in 2009 and was elected Chairman. Dr Fox has extensive experience in global technology and healthcare businesses. He led the start-up of Invetech, an Australian contract research and development company that specialised in healthcare products and complex instruments for international markets. Invetech merged with ASX-listed Vision Systems Limited in 1993, and Dr Fox took over as Group Managing Director of the combined entity. In January 2007, Vision Systems Limited, then a leading global cancer diagnostics company, was acquired by a large US-based company Danaher Corporation. Prior to Invetech, Dr Fox spent seven years working as a Consultant and Director with PA Technology.

Other Current Directorships
Air New Zealand Limited.
MS Research Australia Ltd.
GenMark Diagnostics, Inc.
TTP Group PLC (UK).

Former Directorships in the last 3 years
Elders Limited (formerly Futuris Limited).
ISoft Group Ltd.

Special Responsibilities
Chairman of the Board.
Member of the Remuneration and Nominations Committee.
Chair of Due Diligence Committee.

Interest in Shares and Options
110,000 Ordinary shares in Biota Holdings Limited.

Paul R Bell
BA MA (Hons)
(*Non-executive director)*

Experience and Expertise
Paul Bell was appointed a Director in 2006. Mr Bell has extensive international business experience in the pharmaceutical, biotechnology and medical device industries. Most of his executive career was with Merck & Co Inc. including approximately 10 years as Managing Director of MSD Australia Pty Ltd from 1988 to 1997 and President of Merck & Co Inc.'s Asia Pacific Region from 1997 to 2002.

Mr Bell is a former member of the Business Development Advisory Board of the Garvan Institute of Medical Research and of the Australian Federal Government Pharmaceutical Partnerships Program Committee.

Other Current Directorships
Cochlear Limited.
Westmead Millennium Institute for Medical Research.

Former Directorships in the last 3 years
Gropep Limited.
Bio-Link Partners Limited.

Special Responsibilities
Chair of the Remuneration and Nominations Committee.

Interest in Shares and Options
50,000 Ordinary shares in Biota Holdings Limited.

Peter C Cook
M.Pharm., PhC., C.Chem., FMonash, FRMIT, MPS, MRACI, MAICD
(Chief Executive Officer and Managing Director)

Experience and Expertise
Peter Cook was appointed Chief Executive Officer and Managing Director in 2005.

Mr Cook has had extensive experience in restructures, mergers and acquisitions, innovation and innovation commercialisation with technology-based companies and has a strong manufacturing background. He has extensive business experience within Australia, and has over 10 years of international commercial experience in Europe, the United States and Asia, where he has both lived and worked.

Prior to joining Biota, Mr Cook was the Chief Executive Officer and Managing Director of Orbital Corporation Limited, a powertrain engineering company with unique technologies in direct injection of internal combustion engines. Mr Cook previously held the positions of Chief Executive Officer of Faulding Pharmaceuticals, President of Ansell's Protective Products Division, Deputy Managing Director of Invetech and Director of Research and Development for Nicholas Kiwi.

Other Current Directorships
Quickstep Holdings Limited.

Former Directorships in the last 3 years
None.

Special Responsibilities
Chief Executive Officer and Managing Director.
Member of Due Diligence Committee.

Interest in Shares, Options and Deferred Bonus Rights
713,531 Ordinary shares in Biota Holdings Limited.
597,541 Unlisted options over ordinary shares in Biota Holdings Limited.
1,405,837 Deferred Bonus Rights.

Jeffery Errington
BSc, MA, PhD, FRS, FMedSci
(Non-executive director)

Experience and Expertise
Professor Errington was appointed a Director in 2010. He is a renowned scientist in the field of microbial cell and molecular biology and is a Fellow of the Royal Society. Jeff is the Director of the Centre for Bacterial Cell Biology at Newcastle University. He is a world authority on the biochemical pathways responsible for bacterial replication, an essential pre-requisite to the successful development of novel antibacterial drugs.

Other Current Directorships
Demuris Limited.

Former Directorships in the last 3 years
Prolysis Limited.

Special Responsibilities
Member of the Scientific Advisory Board.

Interest in Shares and Options
20,000 Ordinary shares in Biota Holdings Limited.

Ian D Gust, AO
MD, BS, BSc, DipBact(Lond), FRCPA, FRACP, MASM, FTS
(Non-executive director)

Experience and Expertise
Professor Gust was appointed a Director in 2001. He has had a long and distinguished career in medical research and has received wide international recognition for his contributions to the field of virology.

Ian was the former Director of Research and Development at CSL Limited, a position he held for ten (10) years (1990-2000). During this period he was closely involved in CSL's successful expansion in Australia and internationally. He is currently a Professorial Fellow, Department of Microbiology and Immunology, University of Melbourne, a consultant to the Bill and Melinda Gates Foundation, and a consultant to UNICEF, the World Bank and the World Health Organisation.

Other Current Directorships
Bio 21 Australia Ltd (Chairman).
Victorian Biotechnology Advisory Council (Chairman).
International Aids Vaccine Initiative.

Former Directorships in the last 3 years
Opal Therapeutics Pty Ltd.
Opal Therapeutics Inc.
Paediatric Dengue Vaccine Initiative.
Australian International Health Institute.
Nossal Institutes for Global Health.

Special Responsibilities
Member of the Audit and Risk Committee.
Member of the Remuneration and Nominations Committee.

Interest in Shares and Options
533,036 Ordinary shares in Biota Holdings Limited.

Richard Hill
BA, LL.B (Syd), LL.M(Lond)
(Non-executive director)

Experience and Expertise
Richard Hill was appointed a Director in 2008. He was a founding partner of Hill Young & Associates and formerly held a number of senior executive positions in Hong Kong and New York with Wardley Holdings Limited, a wholly owned subsidiary of Hong Kong & Shanghai Banking Corporation (***HSBC***). He is an Attorney in New York State, USA.

Other Current Directorships
Sirtex Medical Limited (Chairman).
Calliden Group Limited (Chairman).
Blackwall Property Funds Limited (Chairman).
Westmead Millennium Institute for Medical Research (Chairman).

Former Directorships in the last 3 years
Pelorus Property Group Limited.

Special Responsibilities
Chair of the Audit and Risk Committee
Member of the Due Diligence Committee

Interest in Shares and Options
10,000 Ordinary shares in Biota Holdings Limited.

COMPANY SECRETARY

Damian T Lismore
BA (Hons), FCA, GAICD

Damian Lismore was appointed Chief Financial Officer and Company Secretary in 2005. His commercial background includes ten years with Price Waterhouse (now PwC) in Australia and six years with Deloittes Haskins & Sells in the United Kingdom. He has held several management roles including Group Financial Controller and General Manager Buying & Finance for the major Australian pharmaceutical company, Sigma.

Mr Lismore has extensive experience at all levels of the health care industry, particularly in acquisitions and restructures, commercialisation of new technologies and dealing with the investment community. He is a member of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in Ireland and is a member of the Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2012, and the number of meetings attended by each director, when a director, are set out in the following table:

			Meetings of committees					
Director	**Board of directors**		**Audit and Risk**		**Due Diligence**		**Remuneration and Nominations**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
James Fox – *Chairman*	14	14	6	5*	5	5	7	7
Peter Cook	14	14		6*	5	5		7*
Paul Bell	14	14		4*			7	7
Jeffery Errington	14	14		4*				7*
Ian Gust	14	14	6	6			7	7
Richard Hill	14	14	6	6	5	5		7*

* Director is not a member of the relevant committee, but attended the meeting as an observer.

A Due Diligence Committee was established by the Board to oversee the merger process with Nabi Biopharmaceuticals and the preparation of documentation for shareholders. The Committee comprised Dr Fox, Mr Hill and Mr Cook and was assisted by Mr Lismore and Mr Henderson (Allens). At key points in the process, the full Board met to consider diligence matters.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Constitution, the term as directors for Dr James Fox, Prof Ian Gust and Mr Richard Hill will expire at the 2012 Annual General Meeting and each will be eligible for re-election.

CORPORATE GOVERNANCE STATEMENT

The Company and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of all shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

This statement will continue to be updated from time to time to reflect further changes and enhancements where necessary. A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight

The directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of shareholders and ensures the Company and its controlled entities are properly managed. The function of the Board of directors is clearly defined and includes responsibility for:

- Review and approval of corporate strategies, the annual budget and financial plan;
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- Appointment of, and assessment of the performance of the Chief Executive Officer;
- Monitoring managerial performance;
- Establishing policies on risk oversight and management and ensuring that the significant risks facing the Company and its controlled entities have been identified; and appropriate and adequate control, monitoring and reporting mechanisms are in place;
- Reporting to shareholders and regulatory authorities; and
- Monitor and oversee progress in relation to the company's diversity objectives and compliance with its diversity policy.

Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior executives.

The directors are committed to the principles underpinning best practice in corporate governance, applied in a manner which is best suited to the Company and its controlled entities and to best address the directors' accountability to shareholders and other stakeholders.

Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out in its constitution as summarised below.

Composition of the Board

The Board comprises a majority of independent directors with appropriate skills. It has five (5) non-executive directors, including an independent chairman and one (1) executive director. The chairman is elected by the full Board.

Director's Independence

The Board considers a director to be independent if the director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

Factors that the Board will take into account in making its assessment of independence include consideration of whether the director:

- Is a substantial shareholder of the Company, or otherwise associated directly with a substantial shareholder of the Company;
- Is or has been employed in an executive capacity by the Company of another member of the Biota Group within the last three (3) years and did not become a director within three (3) years of being so employed;
- Within the last three (3) years, has been a principal of a material professional adviser or material consultant to the Company or another Group member or an employee materially associated with the service provided;
- Is a partner in or controlling shareholder, or executive officer, or a material supplier or a material customer of the Company or another member of the Biota Group;
- Has a material contractual relationship with the Company or another member of the Biota Group other than as a director of the Company;
- Is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement;
- Has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- The director or any family member of the director has received compensation in excess of A$100,000 from the Group during the past year other than in direct connection with the director fulfilling their role as a director of the Company.

The Board at each Board meeting, requires directors to declare potential conflicts of interest to ensure amongst other things continuing independence, having regard to the criteria set out above and any other relevant relationship that non-executive director may have.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the last annual report are provided in the directors' report under the heading of "Information on directors as at 30 June 2012".

Details on the length of service, independence and Board roles are included in the following table:

Director	Term to 30 June 2012	Independent	Non-executive	Board roles at 30 June 2012
James Fox – *Chairman*	3 years	✓	✓	Board Chairman Remuneration & Nominations Committee member Due Diligence Committee Chair
Paul Bell	5 years	✓	✓	Remuneration & Nominations Committee Chair
Peter Cook	6 years	-	-	Executive Board member Due Diligence Committee member
Jeffery Errington	2 years	✓	✓	Scientific Advisory Board member
Ian Gust	11 years	✓	✓	Audit & Risk Committee member Remuneration & Nominations Committee member
Richard Hill	3 years	✓	✓	Audit & Risk Committee Chair Due Diligence Committee member

In the past, Board members may be called on for special consultancy work or extended activities. Current procedures stipulate that approval is obtained from the Board in respect of any consultancy services of a director. The Board ensure that any payment is appropriate and in keeping with the nature of the services provided and is not in conflict with ASX Listing Rules.

Director selection, appointment and succession

Directors are selected based upon the specific skills, knowledge and experience that they possess. Candidates would be expected to have well established scientific, financial or business credentials, and suitable experience in biotech or pharmaceutical operations would normally be well regarded.

Appointments are the responsibility of the full Board and are based on recommendations of the Remuneration and Nominations Committee. The Committee's role provides recommendations to the Board about strategies on Board diversity and monitors diversity at all levels of the Company.

A director appointed mid term by the Company must seek re-election at the next annual general meeting. A formal appointment letter setting out the key terms and conditions applicable to that appointment is provided to each new director. All current directors have formal appointment letters. Upon commencement, an induction program is conducted involving meetings with other directors and senior management to facilitate the new director's understanding of the affairs of the Company.

Term of office

Each director normally serves for a period of three (3) years before re-election although the Constitution requires that one (1) director must retire from office at each annual general meeting. A retiring director is eligible for re-election. Prior to the election of any director, candidate information with appropriate detail to support an informed decision is provided to shareholders.

Subject to satisfactory performance and re-election, a director may serve for two (2) periods of three (3) years, after which time, he or she, is subject to peer review prior to being considered for re-election.

Director performance evaluation

Regular communication between directors and the Chairman is encouraged and an annual review of the requirements and performance of all directors is conducted. The performance of the Board is formally reviewed annually by the full Board.

Board commitment

During the financial year, the Board met fourteen (14) times. The Group performance is monitored by monthly analysis of financial statements and critical evaluation of research progress against key benchmarks. In addition, on a regular basis, the Board reviews Group progress against the long term goals set out in the strategic plan.

In addition, directors read and analyse board papers and reports submitted by management and engage in regular informal discussions with management. The views of the Chairman and directors are canvassed regularly by the Chief Executive Officer and the executive management team on a range of strategic and operational issues. Senior executives routinely attend board and committee meetings to report on particular issues.

Access to information – Independent professional advice

Any director may with the prior written approval of the Chairman of the Board seek their own independent legal advice at the Company's expense, to assist them in the performance of their duties to the Company and shareholders.

Each director has access to the Company Secretary. The Company Secretary has accountability to the Board, through the Chairman, on all governance matters.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Board has approved a Code of Conduct, applicable to all directors and employees of the Group, providing for the conduct of business in accordance with the highest ethical standards and sound corporate governance. This requires that personnel act with honesty and integrity and in compliance with the letter and spirit of the law and Company policies.

Ethical standards

All directors, executives, scientists and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Diversity policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Biota is fully committed to promoting diversity and equal employment opportunity and this is reflected in our policies and practices. We believe that no one group has a monopoly on talent and therefore seek a diverse population to best deliver on our core business outcomes, values and objectives. Biota has processes in place to monitor our progress on achieving our diversity objectives at all levels in the organisation taking into account factors such as gender, age, cultural background and ethnicity.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives and the progress against these objectives is set out below:

- **Establish the composition of the current Biota workforce, including gender ratios, age, cultural background and ethnicity. This will inform the areas of emphasis for the diversity program:**
  - Data is collated to establish the composition of the Biota workforce. Details such as, gender ratios, age and salary equity are monitored. New appointments have come from a range of ethnic and cultural backgrounds and have wide knowledge and experience in their fields. This has contributed to the diverse nature of the current workforce; and
  - In this financial year there has been a 22% increase in the number of employees. 52% of the new staff members have come from a range of ethnic and cultural backgrounds including, Lithuania, America, France, United Kingdom, Pakistan and Hong Kong.
- **Over the next two (2) years ensure that all Board members, staff responsible for the recruitment process and external recruitment organisations who represent Biota, participate in training to enhance their awareness of the issues of 'implicit bias' in candidate selection:**
  - Training to enhance awareness of the issues of 'implicit bias' in candidate selection has commenced. In this first year, the Vice President Human Resources, who manages and implements the recruitment program, has completed training on Diversity matters. Diversity awareness training has also, been completed by the recruitment consultants who represent Biota; and
  - Training will be provided to the Board over the coming year.
- **Establish selection criteria for recruitment at all levels of the organisation to include diversity requirements:**
  - Selection criteria are set out in position descriptions for each role prior to the recruitment process commencing. Emphasis is based on the knowledge required to do the job with a focus on maintaining a diverse workforce; and
  - Selection criteria for Board positions will be defined when vacancies arise. In the current year no new Board appointments have been made as appointments are on hold until finalisation of the proposed merger with Nabi Biopharmaceuticals.
- **Develop policies that encourage retention and promotion of employees which acknowledge and support their responsibilities outside of the work environment. These policies may focus on individual needs for flexible work arrangements.**
  - To acknowledge employees responsibilities outside of the work environment, this year has seen the introduction of a Salary Averaging policy. This policy offers employees the opportunity to increase their leave entitlement by adjusting their monthly remuneration;
  - Biota has also introduced a Working from Home policy; and
  - 30% of employees have taken up these flexible work arrangements whilst a small percentage of staff work regularly from home.

  Employees have embraced these flexible work arrangements.

The majority of recruitment over F2012 has been associated with the BARDA contract, with women appointed to key positions such as, Business Operations Manager, Medical Director, Senior Clinical Project Manager, and Quality Assurance Clinical Specialist. The year on year comparison of women in the Biota workforce is set out below:

	2011 %	2012 %
Percentage of women employees in the whole organisation	47	49
Percentage of women in senior management	27	32
Percentage of women in executive positions	29	29
Percentage of women on the Board	-	-

Company securities

The Board have adopted a Securities Trading Policy, which applies to all directors, employees and contractors of the Company. The policy covers matters of insider trading, share trading blackout periods and the maintenance of confidentiality.

During share trading blackout periods no director, employee, contractor or their immediate family members, may purchase or sell Company securities other than to convert options to ordinary shares as part of the Company's incentive schemes. Blackout periods are instated at least twenty (20) trading days prior to the release of financial results.

The Board formally reviews the need for the declaration of any further blackout period at each Board meeting and may impose additional blackout periods at any other time, when either specific individuals or directors or employees and contractors generally, should be precluded from trading in the Company's securities. During the year, directors and key management personnel of Biota Holdings Limited have been subject to trading blackout periods of 333 days.

The Audit and Risk Committee monitors the risks associated with margin lending practices on Company securities. Directors and executives are obliged to declare any significant lending associated with Company securities.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The role of the Audit and Risk Committee is to provide the Board with additional assurance regarding the quality and reliability of financial and risk information prepared for use by the Board. The Committee will make recommendations to the Board. The Committee has a documented charter approved by the Board. A summary of the charter is available on the Company's website. All members of the Committee must be non-executive directors.

The members of the Audit and Risk Committee during the year were Mr R Hill (Chair), and Prof I Gust. The Board Chairman attends most meetings as an ex officio member of the Committee.

The external auditors, Chief Executive Officer, Chief Financial Officer and other executive staff are invited to the Audit and Risk Committee at the discretion of the Committee. The external auditor is invited to at least two (2) meetings of the Committee without executives in attendance. The Chief Executive and Chief Financial Officer's declared in writing to the Board that the Company's financial report for the year ended 30 June 2012 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The declaration also confirms that the business operates on a sound management basis consistent with written policies and controls adopted by the Board. This statement is required annually.

The responsibilities of the Audit and Risk Committee include the selection and appointment of the external auditors; liaising with the external auditors and ensuring that the annual and half-year statutory audits/reviews are conducted in an effective manner; reviewing and ensuring management implement appropriate and prompt remedial action for any deficiencies identified; monitoring compliance with Australian and international taxation requirements, the Australian corporations laws and Securities Exchange Listing Rules; and reviewing and monitoring internal control systems, general risk management and compliance with the Company's Code of Conduct.

The Audit and Risk Committee reviews the performance of the external auditors on an annual basis and meets with them to discuss audit planning matters, statutory reporting and as required for any special reviews or investigations deemed necessary by the Board. The Audit and Risk Committee also assess whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence and provides advice to the Board whether the provision of such services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

The current external auditors, PricewaterhouseCoopers (PwC), attend the Annual General Meeting. PwC rotate the audit engagement partner on listed companies, at least every five (5) years.

The Board is of the view that the composition of the Audit and Risk Committee and the skills and experience of its members are sufficient to enable the Committee to discharge its responsibilities with the charter. All other non-executive directors are able to attend meetings at the discretion of the Committee Chair as observers.

Principle 5 & 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Board of directors aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. The Board has a continuous disclosure policy to identify matters that a reasonable person would expect to have a material affect on the price of the Company's securities.

The administration of the policy is overseen and co-ordinated by the Company Secretary, who carries responsibility for ensuring compliance with the continuous disclosure requirements of the Australian Securities Exchange (ASX) Listing Rules. Proposed announcements are generally approved by the Chief Executive Officer and Managing Director and Company Secretary while others also require the approval of the Chairman or on occasion specific Board approval prior to release to the ASX and hence to shareholders, media, analysts, brokers and the public. The Company Secretary is responsible for all communication with the ASX.

Electronic communications

The Company seeks to provide opportunities for shareholders to participate through electronic means. All information disclosed to the ASX is posted on the Company's website www.biota.com.au as soon as it is disclosed to the ASX. All recent Company announcements, media briefings, press releases and financial reports are also available on the Company website.

Shareholders are encouraged to register their email details with the Company's share registrar for direct updates of Company matters and have available to them on-line access to facilitate their account maintenance, including viewing of balances, choosing method of delivery of annual report, price-volume charts for up to one (1) year and download of forms to notify of change in particulars. In addition, registered shareholders are able to participate electronically in proxy voting for any matters brought before a meeting of shareholders.

A summary of the corporate governance documents available on the Company website include:

- Corporate Governance Statement;
- Audit and Risk Committee Charter;
- Remuneration and Nominations Committee Charter;
- Code of Conduct;
- Securities Trading Policy;
- Continuous Disclosure Policy; and
- Health & Safety Policy.

Shareholder participation

The Board encourages participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to shareholders as single resolutions.

The Company also holds open shareholder forums throughout the year.

Principle 7: Recognise and manage risk

Risk assessment and management

The Board oversees the establishment, implementation and review of the Company's risk management systems, which have been established by management for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group. The responsibility for regular review of the risk management system has been delegated to the Audit and Risk Committee, who conduct these reviews at least twice a year. The risk strategy is to identify and to establish appropriate measures or responses to assist in the pursuit of the Company's, and its controlled entities', approved goals and objectives.

Responsibility for establishing and maintaining effective risk management strategies rests with senior management, accountable to the Chief Executive Officer and the Audit and Risk Committee of the Board. The annual business plan for the Company considers key risks and the risk management strategies, which is prepared by management and approved by the Board prior to the commencement of each financial year. A monthly review and assessment of performance against the plan is submitted to the Board. The executive management group are also responsible for the reinforcement of a risk management culture throughout the Company.

The Chief Executive and Chief Financial Officers have declared, in writing to the Board that they have evaluated the effectiveness of the Company's financial disclosure, controls and procedures and have concluded that they are operating efficiently and effectively. Operational and other compliance risk management has also been reviewed and found to be operating efficiently and effectively.

Drug discovery and development is a risky business in that outcomes of trials can be binary. Whilst Biota will attempt to mitigate risks in their planning of clinical trials, clinical trial results are by their nature unknown.

Where risks, such as natural disasters, cannot be adequately mitigated using internal controls, those risks are transferred to third parties through insurance coverage to the extent considered practical and appropriate.

Corporate reporting

In complying with Principle 7, the Chief Executive Officer and Managing Director and Chief Financial Officer have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Safety, health and environmental

The Board considers the successful management of safety, health and environmental issues as vital for business success. At each Board meeting, the directors receive a report on safety, health and environmental issues and performance in the Group. The Audit and Risk Committee receives more detailed presentations.

The Group is subject to environmental regulation and other licences in respect of its research facilities, including regular inspections and audits from State and Federal authorities. The Group was not in breach of any of these regulations throughout the year and no related issues have arisen, since the end of the financial year.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to review and make recommendations to the Board on:

- Remuneration packages and policies applicable to the Chief Executive Officer and Managing Director, Chief Financial Officer/Company Secretary, senior executives/scientists and the directors themselves;
- Executive succession planning, share schemes, incentive performance packages, superannuation entitlements and fringe benefits policies;
- The size and composition of the Board, including necessary director skills and competencies; and
- Diversity.

Remuneration policies are competitively set to attract and retain the most appropriately qualified and experienced directors and senior executives/scientists. The Remuneration and Nominations Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

The Remuneration and Nominations Committee meets at least twice a year as and when required. The Committee is chaired by a non-executive director and comprises three (3) non-executive directors. The members of the Remuneration and Nominations Committee during the year were Mr P Bell (Chair), Dr J Fox, and Prof I Gust. All other directors are able to attend meetings as observers, at the discretion of the Committee Chair and the Chief Executive Officer does not participate in discussions which consider his personal remuneration.

Remuneration report

The Remuneration report is set out on pages 16 to 24 and forms part of the Directors' report for the year ended 30 June 2012.

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium to insure all directors, secretaries and officers of the Group against liability incurred in that capacity. Disclosure of the nature of the liability and the amount of premium is prohibited by the confidentiality clause of the insurance contract. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of directors has determined that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2012 $	 2011 $
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	108,000	108,000
Non PricewaterhouseCoopers audit firm (Richardsons) Audit of UK subsidary	12,500	12,500
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Audit of grant returns	7,000	15,000
Audit and review of filings associated with the proposed merger	240,000	-
Other assurances and accounting services	-	49,385
Total remuneration for audit and assurance services	**367,500**	**184,885**

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

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 directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

Peter Cook
Director

James Fox
Director

Melbourne
20 September 2012

REMUNERATION REPORT

The Remuneration report is set out under the following main headings:

A Remuneration policy and framework

B Details of remuneration

C Service agreements

D Valuation of shares

E Additional information

The information provided in this Remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The following phrases, terms or contractions are used throughout this section of the report. A summary is provided here to assist the reader;

Allocated or granted:	assigned to, but not yet vested.
Vested:	met performance criteria and is available to be exercised but not yet owned.
Exercised:	owned.
Total fixed remuneration (TFR):	the gross amount of salary, fringe benefits and contributions to superannuation.
Key performance indicators (KPIs):	specific targets or items and their measures that are linked to shareholder value creation.
Key management personnel:	non-executive directors, the managing director and the Group's executive management committee.
Total shareholder return (TSR):	all tangible increases in shareholder value, effectively being the share price, adjusted for capital and dividend payments.
Biota employee option plan (BEOP):	the name applied to the rules under which equity incentive shares may be available to employees.
Equity incentive:	an incentive in which the payment is in shares.
At risk:	that portion of remuneration that is not guaranteed.
Vesting period:	the time interval between allocation date and vesting date.
Remuneration expense:	the amount recorded in the statutory accounts (income statement) as remuneration and which ascribes a value to shares that are allocated to, but not owned by, the employee.
Remuneration received:	the sum of total fixed remuneration, cash incentives and vested equity incentives, in the year.
Intersuisse biotechnology index:	a business index that ranks quarterly, the change in the share price of all ASX listed biotechnology companies.

Role of the Remuneration and Nominations Committee

The Remuneration and Nominations Committee review and make recommendations to the Board on remuneration packages and policies applicable to directors and employees of the Company. The broad remuneration policy is to ensure the remuneration package is consistent with current industry practice, properly reflects the person's duties and responsibilities and aligns reward with the delivery of performance that is likely to create value for shareholders.

Information is obtained from independent surveys to ensure that remuneration is set at market rates having regard to experience and performance and the need to have effective retention strategies for key executives and scientific staff. Survey information is obtained from the Mercer Pharmaceutical and Healthcare Industry Remuneration Review, AON Hewitt Australia Biotech Industries Salaries and Benefits Survey in Australia or equivalent bodies in the UK. Formal performance appraisals are conducted at least annually for all employees. The Board ensures that executive reward is in the interests of shareholders through:

- Being competitive and reasonable;
- Linking compensation to performance; and
- Transparency.

The Committee appointed remuneration consultants, Godfrey Remuneration Group, to advise on the quantum of the Chief Executive Officer and Chief Financial Officer packages and on directors' fees. The report was provided directly to the Committee Chair and there was no discussion between Godfrey Remuneration Group and key management personnel during the report preparation period.

A Remuneration policy and framework

Remuneration packages may include a mix of fixed remuneration and performance-linked remuneration, and include both cash and equity components.

Fixed remuneration

Total fixed remuneration (TFR) consists of base salary, fringe benefits including tax and contributions to superannuation.

Remuneration levels are set annually by the Remuneration and Nominations Committee from the information obtained from independent salary and benefits surveys to establish the market rate for similar or equivalent roles. Biota sets its TFR at the median of the surveys. An individual's TFR is established relative to the median through their consistent performance.

These principles apply to all positions, including directors, executives, scientists and support staff.

Non-executive director remuneration

Non-executive director's remuneration is restricted to fees. There are no performance or retirement based components to non-executive director's remuneration.

Non-executive remuneration is set annually by the Remuneration and Nominations Committee through a process that uses independent surveys to establish the market rate for non-executive directors' remuneration in equivalent sized companies operating in an equivalent or similar field. Biota sets its directors fees at the median of the surveys. The Committee recognises the need to attract and retain appropriately experienced and qualified Board members and the increasing commitment of time required by each Board member in the current regulatory environment.

The Company does not seek shareholder approval for individual directors' fees but does obtain approval for the directors' fee pool limit, periodically. Shareholders approved the current pool limit of $0.6 million, in October 2006.

Each director receives a base fee and may receive an additional committee or chairman fee through membership of either the Audit and Risk Committee or the Remuneration and Nominations Committee.

The Board approved an increase in Dr Fox's fees from 2011 in recognition of the additional time and duties required by the Piper Jaffray review and merger process.

Disclosure of all payments to non-executive directors is contained in Section B.

Performance-linked remuneration

Please note; only executives participate in any performance-linked form of remuneration.

Performance-linked remuneration is "at risk" and may not be paid. It includes both cash and equity components and is designed to reward staff for meeting or exceeding financial, project and personal objectives.

The directors believe that based on the creative and otherwise distinctive nature of the work undertaken by Biota's team, performance-linked remuneration should apply to all members of staff.

Cash incentives

Staff may receive bonuses based on the achievement of pre-defined goals which relate to the performance of the Company. Such goals could include the value of licences or contracts secured, major project milestones delivered including the commencement and/or completion of clinical trials, granting of patents, research milestones and financial performance including capital raisings, revenue, profit and cash. These measures are chosen as they should be the drivers of value creation for shareholders. They also attempt to align an individual's remuneration to the Company's performance.

The Remuneration and Nominations Committee formally recommend to the Board each year, the pre-defined Company goals, as measured by the Key Performance Indicators (KPIs). The Chief Executive Officer, Chief Financial Officer and other senior executives' cash incentives are largely based on these KPIs, while other executives and scientists' incentives are based on a suitable blend of Company KPIs, specific project targets and personal KPIs. All employees have a significant portion of any cash incentive linked to the Company KPIs. The F2012 cash incentive payment was made in August 2012.

The cash incentive is normally capped as a percentage of TFR for each individual. The Chief Executive Officer's limit is 80%, the limit for other key management personnel is 40%, with progressively lower amounts for other members of staff. In exceptional circumstances, the Board may approve an additional ex-gratia payment which could lead to this cap being exceeded.

Biota employee option plan

The Company encourages employees to participate in its growth through the Biota employee option plan (BEOP). Under the plan, shares are normally allocated based on achievement of pre-set performance targets, but may also vest on death, permanent disability, takeover, Company initiated redundancy or at the Board's discretion. An individual receives ordinary shares in the Company at no cost under either the Equity Retention Incentive or the TSR Equity Incentive programs. An employee cannot participate in both schemes simultaneously. Participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests. In the event the merger with Nabi Biopharmaceuticals proceeds, all shares allocated under the BEOP will vest. At 30 June 2012, total new share issues subject to the BEOP represented 2.34% of the total shares on issue.

(a) Equity retention incentive

Managers, scientists and support staff may be offered Biota shares on the achievement of specific performance targets and after achieving continuity of employment of two (2) years. For consistency, the performance targets are the KPIs used for the determination of the cash incentive, however, the retention incentive requires a defined target to be exceeded before any equity retention incentive can be awarded.

At 100%, the incentive is twice the value of the cash incentive, with the intermediate steps between 50% and 100% increasing logarithmically, from zero times the cash incentive at 50% to twice the cash incentive at 100%. Based on this calculation un-issued ordinary shares at an issue price equal to the Company's share price on the allocation date, normally on 30 June, are allocated to the individual.

50% of the allocated shares vest after the first and second anniversary of the date of allocation. Entitlements not exercised within five (5) years lapse.

The equity retention incentive is reported in the income statement over the vesting period at the share price on the allocation date. Due to the vesting criteria, accounting standards require that three (3) quarters of the value of the retention incentive is recognised in the first year and one (1) quarter is recognised in the second year.

The equity retention incentive is capped and cannot exceed twice the cash incentive for any member of staff.

(b) TSR equity incentive

Senior executives, generally the key management personnel, are allocated rights to Biota shares which vest when pre-set Total Shareholder Return (TSR) conditions are achieved. The key features of the plan are:

- TSR targets are set by the Board at the commencement of each three (3) year period and consist of two (2) components:
  1. An absolute shareholder return based on share price growth and adjusted for capital or dividend payments. The absolute TSR targets set for shares allocated in F2012 are provided in Table 1. They are based on the fifteen (15) day volume weighted average share price to 30 June 2011 of 99.8 cents; and
  2. Share price growth relative to a peer group. The relative TSR performance uses companies in the former Intersuisse Biotech Index, an index that measures listed Australian biotech companies' share price growth each quarter, to assign a score to Biota's ranking. At the end of the three (3) year period, the cumulative score is used to calculate relative performance.

Table 1 is a summary of the shares allocated in the year and the TSR targets for each performance measure at 30 June 2014. These shares are "at risk" and do not become the property of the individual unless the performance targets are met.

Table 1

Absolute share price measure				**Relative share price measurement**		**Total rights allocated**
	Annual growth %	**Vesting %**	**Share price target (cents) 2014**	**Vesting %**	**Relative index score 2014**	
Threshold	8	25	125.7	25	18	
Target	10	50	132.7	50	21	
Stretch	16	100	155.7	100	27	
Total rights allocated on absolute share price measure			761,573	Total rights allocated under relative performance measure	190,394	951,967

The Board has determined that the final TSR measure will comprise 80% of the absolute component and 20% of the relative component, although this may be re-assessed with each new allocation. Under each TSR measure the incentive is only available when performance exceeds the Threshold. The maximum is available at Stretch and proportionally between.

The value of the TSR equity incentive and number of shares allocated are capped based on a percentage of an executive's TFR. In the case of senior executives other than the Chief Executive Officer, it is capped at 60%.

The number of shares are calculated at the fifteen (15) day volume weighted average price at the beginning of the three (3) year period and sufficient number are allocated assuming stretch performance is achieved. The shares may only start to vest after three (3) years on the achievement of stated performance targets. If performance targets are not met, retesting may occur for no more than a further two (2) years, but with targets increasing at the pre set annual growth rate.

Allocated shares that have not vested lapse at the end of five (5) years.

Deferred bonus plan

The Chief Executive Officer has been allocated rights to receive a cash bonus which vest when pre-set Total Shareholder Return (TSR) conditions are achieved under a deferred bonus plan but may also vest on death, permanent disability, takeover, Company initiated redundancy or at the Board's discretion. The deferred bonus plan uses the same targets as described above in the TSR equity incentive program. Each right confers upon the Chief Executive Officer a right to a cash payment equal to the market price of Biota shares at the time that the right vests.

The absolute and relative share price targets applicable to the rights are as set out in Table 1 above. Table 1 is a summary of the performance measures applicable at 30 June 2014 that will be used to determine whether any of those rights vest and, if so, the percentage that vest. They are based on the fifteen (15) day volume weighted average share price to 30 June 2011 of 99.8 cents.

The Board has determined that the annual allocation to the Chief Executive Officer is capped at 100% of TFR and that 80% of the rights to receive a bonus will be measured against the absolute TSR component and 20% of the rights to receive a bonus will be measured against the relative TSR component. Under each TSR measure the incentive is only available when performance exceeds the Threshold and the maximum is available at Stretch and proportionally between. In F2012, the Chief Executive Officer has been allocated 551,103 rights to receive a cash bonus, with 440,882 based on the absolute share price measures and 110,221 based on the relative share price measures. In line with current best practice on long term incentives, the rights continue to exist after the retirement of the Chief Executive Officer and remain subject to achieving the TSR performance hurdles.

The number of rights allocated to the Chief Executive Officer is determined by dividing the Chief Executive Officer's TFR in the relevant year by the fifteen (15) day volume weighted average share price at the beginning of the three (3) year period. Unless Stretch performance is achieved, not all of those rights will vest. The rights may start to vest after three (3) years on the achievement of performance targets. If performance targets are not met, retesting may occur for a further two (2) years but with targets increasing at the pre set annual growth rate.

All rights that have not vested lapse at the end of five (5) years. In the event the merger with Nabi Biopharmaceuticals proceeds, all deferred bonus plan rights will vest and be settled through Treasury shares held.

Use of remuneration consultants

In February 2012, the Remuneration and Nominations Committee employed the services of Godfrey Remuneration Group to advise on the quantum of the Chief Executive Officer and Chief Financial Officer packages and directors' fees. Godfrey Remuneration Group (Godfrey) was paid $14,500 for these services.

Godfrey has confirmed that:

- They were engaged by, and reported directly to, the Chair of the Remuneration and Nominations Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration and Nominations Committee under delegated authority on behalf of the board;
- The report containing the remuneration recommendations was provided by Godfrey directly to the Chair of the Remuneration and Nominations Committee; and
- Recommendations have been made free of any undue influence by members of the group's key management personnel.

As a consequence, the board has the view that the process was completed without influence by key management personnel.

Voting and comments made at the company's 2011 Annual General Meeting

The Company received more than 86% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the amount paid by component to each director of Biota Holdings Limited and each of the key management personnel of the Company and the consolidated entity receiving the highest emoluments for the year ended 30 June 2012, are set out in the table below.

The key management personnel of Biota Holdings Limited include the directors and two (2) key management personnel. These personnel are the only executives of Biota Holdings Limited. These executives are:

- Peter Cook – *Chief Executive Officer and Managing Director*
- Damian Lismore – *Chief Financial Officer and Company Secretary*

The key management personnel of the Biota Group include all of the personnel listed above for Biota Holdings Limited and the members of the Group's executive management committee. The additional executives are:

- Simon Tucker – *Vice President, Research*
- Jane Ryan – *Vice President, Product Development and Strategic Marketing*
- Leigh Farrell – *Vice President, Business Development*
- John Lambert – *Principal Director, Product Development Operations*
- Vivienne Green – *Vice President, Human Resources (from 1 July 2011)*
- Steve Ruston – *Managing Director, Biota Europe (until 15 June 2011)*

Key management personnel of Biota Holdings Limited and the Group

Table 2 details the components of the total remuneration expensed in the income statement. The calculation of the value of the long term incentive is in accordance with Australian Accounting Standards. These standards require a dollar value to be assigned to future benefits even though the performance targets have not yet been met. At the time of allocation they are not, and may never be the property of the executive. The reported remuneration does not therefore directly correlate with the benefits ultimately received by the executive.

Table 2: Total Remuneration

	Financial Year	Base Salary						Performance Linked Remuneration			
		Salary and fees $	Superan-nuation $	Total Base Salary $	Non-Monetary Benefits $	Termin-ation Benefits $	Long Service Leave $	Cash Bonus $	Ex-gratia $	Value of long term incentive expensed in the accounts $	Total per accounts $
Non-executive directors											
James Fox – *Chair*	2012	160,550	14,450	175,000	-	-	-	n/a	-	n/a	175,000
	2011	162,217	12,783	175,000	-	-	-	n/a	-	n/a	175,000
Paul Bell	2012	86,000	-	86,000	-	-	-	n/a	-	n/a	86,000
	2011	80,000	-	80,000	-	-	-	n/a	-	n/a	80,000
Jeffery Errington	2012	73,500	-	73,500	-	-	-	n/a	-	n/a	73,500
	2011	70,000	-	70,000	-	-	-	n/a	-	n/a	70,000
Ian Gust	2012	88,000	-	88,000	-	-	-	n/a	-	n/a	88,000
	2011	76,333	-	76,333	-	-	-	n/a	-	n/a	76,333
Richard Hill	2012	90,000	-	90,000	-	-	-	n/a	-	n/a	90,000
	2011	77,500	-	77,500	-	-	-	n/a	-	n/a	77,500
Grant Latta	2012	-	-	-	-	-	-	n/a	-	n/a	-
(resigned 22/11/10)	2011	33,333	-	33,333	-	-	-	n/a	-	n/a	33,333
Sub-total	2012	498,050	14,450	512,500	-	-	-	n/a	-	n/a	512,500
	2011	499,383	12,783	512,166	-	-	-	n/a	-	n/a	512,166
Executive director											
Peter Cook	2012	506,300	43,700	550,000	-	-	-	264,000	-	83,193	897,193
	2011	487,532	42,468	530,000	31,880	-	-	259,912	-	84,374	906,166
Other key management personnel											
Damian Lismore	2012	287,580	13,320	300,900	-	-	-	69,391	-	28,857	399,148
	2011	272,539	23,361	295,900	-	-	-	79,958	12,246	31,634	419,738
Sub-total of directors & key management parent entity											
	2012	1,291,930	71,470	1,363,400	-	-	-	333,391	-	112,050	1,808,841
	2011	1,259,454	78,612	1,338,066	31,880	-	-	339,870	12,246	116,008	1,838,070
Other key management personnel of the Group											
Simon Tucker	2012	258,571	18,096	276,667	-	-	6,504	73,756	-	25,780	382,707
	2011	246,736	24,931	271,667	-	-	13,406	71,076	-	27,934	384,083
Jane Ryan	2012	235,823	40,844	276,667	-	-	6,928	76,563	-	25,780	385,938
	2011	226,355	45,312	271,667	-	-	13,143	73,409	100,000	27,934	486,153
Leigh Farrell	2012	239,633	21,567	261,200	-	-	-	48,189	-	25,086	334,475
	2011	235,046	21,154	256,200	6,178	-	-	57,997	-	27,384	347,759
John Lambert	2012	242,110	17,890	260,000	-	-	13,921	64,156	-	22,812	360,889
	2011	209,936	22,164	232,100	-	-	6,948	62,718	15,716	24,520	342,002
Vivienne Green	2012	189,908	17,092	207,000	-	-	-	47,967	-	2,665	257,632
(appointed 1/7/11)	2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Steve Ruston	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(resigned 15/6/11)	2011	249,638	18,723	268,361	-	169,109	-	34,903	-	81,478	553,851
Total	2012	**2,457,975**	**186,959**	**2,644,934**	**-**	**-**	**27,353**	**644,022**	**-**	**214,173**	**3,530,482**
	2011	**2,427,165**	**210,896**	**2,638,061**	**38,058**	**169,109**	**33,497**	**639,973**	**127,962**	**305,258**	**3,951,918**

The *Corporations Act 2001* classifies salary and fees plus cash bonuses as "short term employee benefits", superannuation as "post employment benefits", long service leave as "other long term employee benefits" and value of shares expensed in the accounts as "share based payments".

Percentage of total remuneration paid compared to potential remuneration

Table 3 compares the percentage mix of Total Remuneration by Fixed Remuneration, At Risk - Cash and Equity. Columns 1 and 2 in the table compare Maximum Remuneration to Remuneration Received as a percentage of Maximum Remuneration.

Column A shows the percentage mix for all remuneration elements if stretch performance is achieved. Column B shows the Remuneration Received as a percentage of Maximum Remuneration. Column C shows the Remuneration Received as a percentage of Total Remuneration.

Table 3

	Total		Fixed remuneration			At risk – Cash			At risk – Equity		
	(1) Maximum Remun-eration %	(2) Received as % of Maximum Remun-eration %	(A) Maximum Remun-eration %	(B) Received as % of Maximum Remun-eration %	(C) Remun-eration Received %	(A) Maximum Remun-eration %	(B) Received as % of Maximum Remun-eration %	(C) Remun-eration Received %	(A) Maximum Remun-eration %	(B) Received as % of Maximum Remun-eration %	(C) Remun-eration Received %
Executive director											
Peter Cook	100	58	36	36	61	29	17	29	36	5	9
Other key management personnel of Group											
Damian Lismore	100	66	50	50	75	20	12	17	30	5	7
Simon Tucker	100	69	50	50	72	20	13	19	30	5	7
Jane Ryan	100	70	50	50	72	20	14	20	30	5	7
Leigh Farrell	100	64	50	50	78	20	9	14	30	5	8
John Lambert	100	69	50	50	72	20	12	18	30	4	6
Vivienne Green	100	62	50	50	80	20	12	19	30	1	1
Steve Ruston	100	-	-	-	-	-	-	-	-	-	-

C Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of the director.

Remuneration and other terms of employment for key management personnel are formalised in Employment Agreements. The major terms of these agreements are as follows:

- Each executive receives a remuneration package which is reviewed annually. The package includes a base salary and a performance linked component; including a cash incentive and an equity incentive. For key management personnel, details are provided in Part B;
- Shares offered under the equity incentives for key management personnel are generally new shares, subject to standard ASX restrictions as a percentage of total number of shares on offer. In the case of executive directors and unless shareholder approval is obtained, the service agreements provide that the shares may be purchased on market and held to meet any potential vesting that may occur in the future;
- Protection of the Company's intellectual, commercial and confidential information;
- Non competition during employment and in some cases for a suitable post employment period; and
- Termination by the Company with six (6) months notice or payment of six (6) months remuneration. In the case of the Chief Executive Officer and Managing Director the payment may be extended to twelve (12) months in certain circumstances or if the termination is a consequence of an acquisition or merger. Executives can terminate their agreement with three (3) months notice, while the Chief Executive Officer and Managing Director is required to provide six (6) months notice to the Company.

D Valuation of Shares

Summary of share valuations from past allocations that affect the remuneration of current employees

Tables 4,5 & 6 identify the value ascribed to past allocations of shares or rights that have vested, or may vest in the current or future reporting periods and is the value at which they have been incorporated in the income statement. The valuation method is identified at the bottom of each table.

Table 4: Equity retention incentive

Issue date	Expiry date	Exercise price	Value per share at allocation date	Vesting Date
8 August 2007	30 June 2012	Nil	$1.86	50% after 30 June 2008 50% after 30 June 2009
22 August 2008	30 June 2013	Nil	$0.77	50% after 30 June 2009 50% after 30 June 2010
29 June 2010	30 June 2014	Nil	$1.195	50% after 30 June 2010 50% after 30 June 2011
16 September 2011	30 June 2016	Nil	$0.955	50% after 30 June 2012 50% after 30 June 2013
22 August 2012	30 June 2017	Nil	$1.00	50% after 30 June 2013 50% after 30 June 2014

The value used for each Equity retention incentive share was the closing share price at the date of allocation.

Table 5: TSR equity incentive

Issue date	Expiry date	Exercise price	Value per share at allocation date		Vesting Date
			Absolute share price	Relative share price	
31 October 2007	30 June 2012	Nil	$0.97 $0.91 $0.85	$0.71 $0.67 $0.64	After 30 June 2008 After 30 June 2009 After 30 June 2010
20 December 2007	30 June 2012	Nil	$0.66 $0.64 $0.60	$0.51 $0.49 $0.48	After 30 June 2008 After 30 June 2009 After 30 June 2010
22 August 2008	30 June 2013	Nil	$0.45	$0.44	After 30 June 2011
29 June 2010	30 June 2014	Nil	$0.92	$0.95	After 30 June 2012
5 October 2010	30 June 2015	Nil	$0.69	$0.63	After 30 June 2013
22 December 2011	30 June 2016	Nil	$0.54	$0.43	After 30 June 2014

The value used for each TSR equity incentive share was that determined by Ernst & Young ABC Pty Limited, who employed a Monte-Carlo valuation method. This method used such factors as initial share price, share price volatility, time before vesting, risk-free interest rates and dividend yield to determine the value of the share at the date of allocation.

Table 6: Deferred bonus plan rights

Issue date	Expiry date	Exercise price	Value per right at allocation date		Vesting Date
			Absolute share price	Relative share price	
29 June 2010	30 June 2014	Nil	$0.92	$0.95	After 30 June 2012
5 October 2010	30 June 2015	Nil	$0.69	$0.63	After 30 June 2013
22 December 2011	30 June 2016	Nil	$0.54	$0.43	After 30 June 2014

Shares or rights allocated in the year

The number of ordinary shares or rights allocated in the Company to each director and key management personnel of the Group are set out in Table 7 below. Further information is set out in note 24 of the financial statements.

Table 7

	Number of shares or rights allocated during the year	
	2012	**2011**
Executive director		
Peter Cook	551,103	477,478
Other key management personnel of Group		
Damian Lismore	180,902	159,946
Simon Tucker	166,333	146,847
Jane Ryan	166,333	146,847
Leigh Farrell	157,035	138,487
John Lambert	156,313	125,460
Vivienne Green	125,051	-
Steve Ruston	-	76,148

Shares or rights vested in the year

The number of ordinary shares or rights vested in the Company to each director and key management personnel of the Group are set out in Table 8 below. Further information is set out in note 23 of the financial statements.

Table 8

	Number of shares or rights vested during the year	
	2012	**2011**
Executive director		
Peter Cook	37,726	90,502
Other key management personnel of Group		
Damian Lismore	12,936	38,789
Simon Tucker	11,197	33,573
Jane Ryan	11,197	33,573
Leigh Farrell	11,197	33,573
John Lambert	9,969	29,882
Vivienne Green	-	-
Steve Ruston	-	76,148

Shares and rights exercised in the year

The number and price of shares exercised during the year by each director and key management personnel of the Group are set out in Table 9 below.

Table 9

Name	Date of exercise	Value per share	Number of ordinary shares issued	
			2012	**2011**
Peter Cook	22 May 2012 2 March 2011	$1.18 $1.21 & $1.40	332,800 -	- 193,572
Damian Lismore	9 March 2012 23 Dec 2010	$0.84 & $1.40 $1.40	41,453 -	- 114,188
Simon Tucker	9 March 2012 2 March 2011	$0.84 & $1.40 $1.40 & $1.86	35,877 -	- 135,476
Jane Ryan	2 May 2012 2 March 2011	$0.84 & $1.40 $1.21, $1.40 & $1.86	35,877 -	- 191,248
Leigh Farrell	9 March 2012 2 March 2011 19 August 2010	$0.84 & $1.40 $1.40 $1.40	35,877 - -	- 3,858 100,745
John Lambert	9 March 2012 2 March 2011	$0.84 & $1.40 $1.40	31,915 -	- 87,837

No amounts are unpaid on any share issued on the exercise of options.

E Additional Information

Remuneration and company performance

The relationship between remuneration and company performance is provided through the Company's cash and equity incentive schemes.

Cash incentive

Staff may receive a cash bonus based on the achievement of pre defined goals, specifically linked to the performance of the Company. They are formally established at the commencement of each year by the Board as the Company Key Performance Indicators (KPI's). KPIs are selected which are most likely to result in an increase in shareholder value. The achievement of the KPIs, which are usually defined in key financial or program related milestones, should be regarded as realistic measures of company performance. The KPIs are established from the commercial and strategic objectives of the Company and consequently are not disclosed in advance. The cash incentive is capped.

Table 10 summaries the cash incentive by year and shows a direct correlation to the Company KPI score approved by the Board. A selection of outcomes within the Company KPI's has also been set out.

Table 10

Cash incentive							
Year	**Paid $**	**Maximum cash incentive available in year $**	**% of cash incentive paid**	**% of cash incentive forfeited**	**Company KPI's**	**Program and scientific milestones**	**Commercial milestones**
2012	644,022	1,073,373	60%	40%	60%	- BARDA contract progress. - HRV Phase IIb endpoint. - GYR and HCV-NN preclinical nomination.	
2011	767,935	1,008,686	76%	24%	65%	- HRV Phase IIb study. - RSV new lead candidate. - GYR and HCV program progress.	- Award of US $231m from BARDA. - Grant of US$2.9m from NIH for antibacterial program.
2010	297,688	765,789	39%	61%	39%	- LANI IND. - HRV IND. - RSV & HCV-NN program progress.	- Program acquisitions from Prolysis and Maxthera.
2009	572,338	765,789	75%	25%	74%	- LANI UK studies. - HRV Phase IIa. - RSV Phase I.	- In licence of Harvard CMV and other program. - Collaboration income of $12.5m
2008	390,032	522,500	70%	30%	70%	- RSV and LANI clinical development. - Expansion in scientific resources and facilities.	- RSV licence to AZ with payment of $3.9m. - Collaboration income of $15.1m.
2007	381,904	416,000	92%	8%	93%	- RSV Phase I commencement. - HRV Phase I completion.	- VCP/CSIRO sub-royalty buyout. - HCV program licence to BI with $3m payment. - NIH grant award of US$8.5m. - RSV Phase I milestone of $5m. - Collaboration income of $13.7m.

The 2008 incentive payment included an amount of $227,000 to key management personnel (excluding the Chief Executive Officer) to transition from a two (2) year equity scheme to a three (3) year Total Shareholder Return (TSR) incentive scheme. For comparison purposes this has been excluded from the table.

Long Term Incentive

The Board considers that a significant portion of a senior executive's remuneration should be specifically linked to Total Shareholder Return (TSR).

Both absolute and relative shareholder return measures are set annually in advance for the next three (3) years and advised to the market (see Section A Table 1). Assuming the targets are achieved the shares vest at the end of three (3) years. The current equity incentive is 80% linked to absolute share price performance and 20% linked to relative share price performance. The relative share price movement is measured against all companies in the Intersuisse Biotechnology Index.

Both the absolute and relative equity incentives use the market determined share price as the measure of total shareholder return and, by definition and convention, is the measure of company performance. The long term incentive allocation is capped and executives may earn up to 60% of their fixed remuneration in an environment of high shareholder returns.

Table 11

Shares vesting by year		Performance measures		
Year	**No of shares vesting**	**Growth in share price over allocation price %**	**Absolute share price at VWAP**	**Relative quartile performance to index**
			Weighting :80%	**Weighting: 20%**
2007*	157,032	54	$1.86	
2008*	353,190	(59)	$0.77	Q3
2009	240,948	(27)	$1.27	Q2
2010	764,910	50	$2.61	Q3
2011	259,892	24	$1.04	Q2
2012	94,222	(42)	$0.998	Q2

* Shares vesting in 2007 and 2008 were a consequence of the previous two (2) year equity retention incentive. Key management personnel were last allocated new shares under the equity retention incentive for 2006.

Table 11 shows by financial year:

- The number of shares vesting;
- The Company TSR measures highlighting the change in share price from the point of allocation to the point of vesting as a percentage; and
- The actual fifteen (15) day VWAP price for the absolute measure and quartile performance against companies in the Intersuisse Biotechnology Index.

In F2012, there was no growth in absolute share price from the point of allocation and nil shares vested. Relative quartile share price performance resulted in 94,222 shares vesting.

Remuneration: cash bonuses, options and rights

Table 12 provides the percentage of the available cash bonus or option allocation that was paid or vested in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria. No part of the bonuses are payable in future years and no options have been forfeited.

Table 12

	Cash bonus		Options and Rights				
Name	**Paid %**	**Forfeited %**	**Year allocated**	**Vested %**	**Financial years in which options may vest**	**Minimum total value of grant yet to vest $**	**Maximum total value of grant yet to vest $**
Peter Cook	60	40	2011	-	2014	Nil	285,471
			2010	-	2013	Nil	323,730
			2009	10	2012	Nil	313,499
			2008	10	2011	Nil	184,200
			2007	64	2008-2010	Nil	110,032
Damian Lismore	58	42	2011	-	2014	Nil	93,707
			2010	-	2013	Nil	108,443
			2009	10	2012	Nil	107,493
			2008	10	2011	Nil	78,949
			2007	64	2008-2010	Nil	66,554
Simon Tucker	67	33	2011	-	2014	Nil	86,160
			2010	-	2013	Nil	99,562
			2009	10	2012	Nil	93,046
			2008	10	2011	Nil	68,338
			2007	64	2008-2010	Nil	57,595
Jane Ryan	69	31	2011	-	2014	Nil	86,160
			2010	-	2013	Nil	99,562
			2009	10	2012	Nil	93,046
			2008	10	2011	Nil	68,338
			2007	64	2008-2010	Nil	57,595
Leigh Farrell	46	54	2011	-	2014	Nil	81,344
			2010	-	2013	Nil	93,894
			2009	10	2012	Nil	93,046
			2008	10	2011	Nil	68,338
			2007	64	2008-2010	Nil	57,595
John Lambert	62	38	2011	-	2014	Nil	80,970
			2010	-	2013	Nil	85,062
			2009	10	2012	Nil	82,837
			2008	10	2011	Nil	60,841
			2007	64	2008-2010	Nil	51,195
Vivienne Green	58	42	2011	-	2014	Nil	64,776
(from 1/7/11)			2010	n/a	2013	n/a	n/a
Steve Ruston	n/a	n/a	2011	n/a	n/a	n/a	n/a
(resigned15/6/11)			2010	100	2013	Nil	-
(appointed 12/11/09)			2009	n/a	n/a	n/a	n/a

Table 13 sets out options as a proportion of Total Remuneration reflected in the income statement, the value of options ascribed at allocation date by Ernst & Young ABC Pty Ltd and the value of shares that have vested and exercised or lapsed.

Table 13

	A	B	C	D
Name	**Percentage of Total Remuneration expensed consisting of shares %**	**Fair value ascribed to shares at allocation date $**	**Value of shares vested and exercised at the exercise date $**	**Value of shares lapsing $**
Peter Cook	9	83,193	277,888	-
Damian Lismore	7	28,857	31,919	-
Simon Tucker	7	25,780	27,625	-
Jane Ryan	7	25,780	30,854	-
Leigh Farrell	7	25,086	27,625	-
John Lambert	6	22,812	24,575	-
Vivienne Green	1	2,665	-	-
Steve Ruston	-	-	61,680	-
Total		**214,172**	**482,166**	**-**

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Auditor's Independence Declaration

As lead auditor for the audit of Biota Holdings Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Biota Holdings Limited and the entities it controlled during the period.

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
20 September 2012

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FINANCIAL REPORT

	Notes	Consolidated 2012 $'000	Consolidated 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	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.

Biota Holdings Limited
Statements of changes in equity
For the year ended 30 June 2012

	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

	2012 $'000	2011 $'000
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

	2012 $'000	2011 $'000
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	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	43
Blackhole expenses – expenditure claimable in future years		276	-
Property, plant & equipment		82	-
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	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	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

	2012 $'000	2011 $'000
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.

23 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	3,101,997	3,195,100
Post-employment benefits	186,959	210,896
Long-term benefits	27,353	33,497
Non-monetary benefits	-	38,058
Termination benefits	-	169,109
Share-based payments	214,173	305,258
	3,530,482	3,951,918

(b) Equity instrument disclosures relating to key management personnel

(i) Provided as remuneration and shares issued on exercise

Details of shares allocated as remuneration and shares issued, together with terms and conditions of the options, are set out in section D of the Remuneration report.

(ii) Summary of shares allocated

Details of shares allocated and which vested to each director and each of the key management personnel of the Group are set out below.

Summary of shares allocated and vested to directors and key management personnel

		TSR Equity incentive shares				
		Balance at the start of the year or on appointment	Allocated during the year	Exercised during the year	Balance at the end of the year or on resignation	Number vested at end of year
Executive director						
Peter Cook	2012	976,300	-	(378,759)	597,541	-
	2011	976,300	-	-	976,300	372,539
Other key management personnel						
Damian Lismore	2012	586,856	180,902	(41,453)	726,305	12,936
	2011	541,098	159,946	(114,188)	586,856	38,789
Other key management personnel of the Group						
Simon Tucker	2012	516,357	166,333	(35,877)	646,813	11,197
	2011	474,113	146,847	(104,603)	516,357	33,573
Jane Ryan	2012	516,357	166,333	(35,877)	646,813	11,197
	2011	474,113	146,847	(104,603)	516,357	33,573
Leigh Farrell	2012	507,997	157,035	(35,877)	629,155	11,197
	2011	474,113	138,487	(104,603)	507,997	33,573
John Lambert	2012	454,309	156,313	(31,915)	578,707	9,969
	2011	416,686	125,460	(87,837)	454,309	29,882
Vivienne Green	2012	-	125,051	-	125,051	-
(appointed 1/7/11)	2011	-	-	-	-	-
Steve Ruston	2012	76,148	-	(76,148)	-	-
	2011	-	76,148	-	76,148	76,148
Total	**2012**	**3,634,324**	**951,967**	**(635,906)**	**3,950,385**	**56,496**
	2011	**3,356,423**	**793,735**	**(515,834)**	**3,634,324**	**618,077**

There were 311,090 equity retention options exercised in F2011 from an old scheme. There were no allocations during the prior year or outstanding at the end of F2011 in response to this scheme.

(iii) Deferred bonus rights

Details of rights allocated and which vested to each director and each of the key management personnel of the Group are set out below.

		Balance at the start of the year or on appointment	Allocated during the year	Exercised during the year	Balance at the end of the year or on resignation	Number vested at end of year
Executive director						
Peter Cook	2012	854,734	551,103	-	1,405,837	37,726
	2011	377,256	477,478	-	854,734	-
Total	**2012**	**854,734**	**551,103**	**-**	**1,405,837**	**37,726**
	2011	**377,256**	**477,478**	**-**	**854,734**	**-**

(iv) Share dealings by directors and key management personnel

Details of the movement in the number of ordinary shares held directly, indirectly or beneficially by directors and key management personnel, including their personally-related entities are set out below.

		Balance at the start of the year or on appointment	Purchases during the year	Shares received on the exercise of options	Sales during the year	Balance at the end of the year or on resignation
Non-executive directors						
James Fox – *Chair*	2012	110,000	-	-	-	110,000
	2011	110,000	-	-	-	110,000
Paul Bell	2012	50,000	-	-	-	50,000
	2011	50,000	-	-	-	50,000
Jeff Errington	2012	20,000	-	-	-	20,000
	2011	-	20,000	-	-	20,000
Ian Gust	2012	533,036	-	-	-	533,036
	2011	533,036	-	-	-	533,036
Richard Hill	2012	10,000	-	-	-	10,000
	2011	-	10,000	-	-	10,000
Grant Latta	2012	n/a	n/a	n/a	n/a	n/a
(resigned 22/11/10)	2011	160,000	-	-	-	160,000
Executive director						
Peter Cook	2012	334,772	-	378,759	-	713,531
	2011	141,200	-	193,572	-	334,772
Other key management personnel						
Damian Lismore	2012	368,680	-	41,453	-	410,133
	2011	254,492	-	114,188	-	368,680
Other key management personnel of the Group						
Simon Tucker	2012	473,290	-	35,877	-	509,167
	2011	337,814	-	135,476	-	473,290
Jane Ryan	2012	632,216	-	35,877	315,369	352,724
	2011	440,968	-	191,248	-	632,216
Leigh Farrell	2012	148,690	-	35,877	84,000	100,567
	2011	44,087	-	104,603	-	148,690
John Lambert	2012	176,273	--	31,915	119,000	89,638
	2011	88,886	-	87,837	-	176,723
Vivienne Green	2012	-	-	-	-	-
(appointed 1/7/11)	2011	n/a	n/a	n/a	n/a	n/a
Steve Ruston	2012	-	-	76,148	-	76,148
	2011	-	-	-	-	-

(c) Loans to key management personnel

There are no loans made to key management personnel of the Company or the Group during the year.

(d) Other transactions with key management personnel

There are no other transactions with key management personnel of the Company or the Group during the year.

24 SHARE-BASED PAYMENTS

(a) Biota employee option plan and Deferred bonus plan

Employees can participate in the growth of the Company. Under the Biota employee option plan (BEOP), shares are allocated and normally vest based on achievement of pre-set performance targets, death, permanent disability, takeover, Company initiated redundancy or under Board discretion. Awards under the BEOP are performance rights, either under the Equity Retention Incentive or the TSR Equity programs. Under the Deferred bonus plan rights are allocated and vest under criteria similar to the BEOP. Full details of each program are included in Section A of the Remuneration report.

The following tables set out shares allocated, exercised and forfeited during F2012 and F2011.

Consolidated and parent entity – 2012

Grant date	Expiry date	Exercise price	Balance at start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)	Vested and exercisable at end of the year (Number)
Equity retention incentive plan								
22 Aug 2008	30 June 2013	Nil	5,675	-	5,675	-	-	-
29 June 2010	30 June 2014	Nil	280,480	-	280,480	-	-	-
16 September 2011	30 June 2016	Nil	-	831,755	5,124	-	826,631	-
TSR equity incentive plan								
31 Oct 2007	30 June 2012	Nil	445,198	-	94,968	-	350,230	-
21 Dec 2007	30 June 2012	Nil	520,000	-	332,800	-	187,200	-
22 Aug 2008	30 June 2013	Nil	1,310,445	-	131,990	-	1,178,455	-
29 June 2010	30 June 2014	Nil	564,946	-	-	-	564,946	56,496
5 Oct 2010	30 June 2015	Nil	845,269	-	127,682	-	717,587	-
22 December 2011	30 June 2016	Nil	-	951,967	-	-	951,967	-
Deferred bonus plan								
29 June 2010	30 June 2014	Nil	377,256	-	-	-	377,256	37,726
5 Oct 2010	30 June 2015	Nil	477,478	-	-	-	477,478	-
22 December 2011	30 June 2016	Nil	-	551,103	-	-	551,103	-
Total			**4,826,747**	**2,334,825**	**978,719**	**-**	**6,182,853**	**94,222**

Consolidated and parent entity – 2011

Grant date	Expiry date	Exercise price	Balance at start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)	Vested and exercisable at end of the year (Number)
Equity retention incentive plan								
21 July 2006	30 June 2011	Nil	33,332	-	33,332	-	-	-
25 Oct 2006	30 June 2011	Nil	72,314	-	72,314	-	-	-
8 Aug 2007	30 June 2012	Nil	84,186	-	84,186		-	-
24 Oct 2007	30 June 2012	Nil	121,258	-	121,258	-	-	-
22 Aug 2008	30 June 2013	Nil	292,793	-	287,118	-	5,675	5,675
29 June 2010	30 June 2014	Nil	560,986	-	280,506	-	280,480	-
TSR equity incentive plan								
31 Oct 2007	30 June 2012	Nil	961,032	-	515,834	-	445,198	30,214
21 Dec 2007	30 June 2012	Nil	520,000	-	-	-	520,000	298,189
22 Aug 2008	30 June 2013	Nil	1,310,445	-	-	-	1,310,445	213,526
29 June 2010	30 June 2014	Nil	564,946	-	-	-	564,946	-
5 Oct 2010	30 June 2015	Nil	-	845,269	-	-	845,269	127,682
Deferred bonus plan								
29 June 2010	30 June 2014	Nil	377,256	-	-	-	377,256	-
5 Oct 2010	30 June 2015	Nil	-	477,478	-	-	477,478	-
Total			**4,898,548**	**1,322,747**	**1,394,548**	**-**	**4,826,747**	**675,286**

The weighted average share price at the date of exercise of all options exercised during the year ended 30 June 2012 was $0.84 (2011: $1.01). The weighted average remaining contractual life of share options outstanding at the end of the period was 2.6 years (2011: 1.8 years).

Fair Value of options granted

The assessed fair value at allocation date of each share under each incentive plan during the year ended 30 June 2012 was:

- Equity retention incentive plan $0.955
- TSR equity incentive plan $0.54
- Deferred bonus plan $0.54

The fair value of the Equity retention incentive plan is determined as the share price at allocation date. The fair value of the TSR equity incentive plan has been independently determined by Ernst & Yong ABC Pty Ltd using a Monte-Carlo simulation with inputs including the period of the award, the conditions of the award, the share price at allocation date, volatility, interest rates and dividend yield. In relation to the deferred bonus plan which is cash settled there is a provision of $166,000 at balance date.

(b) Expense arising from share-based payment

Total expenses arising from share-based payment transactions recognised as part of employee benefit expense during the period were as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Shares allocated under Biota employee option plan	811	493

25 REMUNERATION OF AUDITORS

During the year the following were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2012 $	Consolidated 2011 $
Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	108,000	108,000
Non PricewaterhouseCoopers audit firm (Richardsons) audit of UK subsidiary	12,500	12,500
	120,500	120,500
Audit of NIH grant returns	7,000	15,000
Audit and review of filings associated with the proposed merger	240,000	-
Other assurances and accounting advice	-	49,385
	247,000	64,385
Total	367,500	184,885

No further amounts were paid or payable to any related practice of PricewaterhouseCoopers. It is the Group's policy to employ its auditor on assignments additional to their statutory audit duties only where their expertise and experience with the Group are important. Assignments are otherwise awarded on a competitive basis.

26 COMMITMENTS

(a) Lease commitments: Group as lessee

(i) Non-cancellable operating lease

The Group leases various offices under non-cancellable operating leases expiring within two (2) years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Within one year	716	582
- Later than one, not later than five years	359	956
- Later than five years	-	-
	1,075	1,538

(b) Research commitments

	Consolidated 2012 $'000	Consolidated 2011 $'000
The Company and its controlled entities have entered into agreements with certain organisations for ongoing research and clinical trials. Under these agreements the Company and its controlled entities are committed to providing funds over future periods, payable:		
- Within one year	6,865	5,172
- Later than one year but not later than two years	405	30
- Later than two years but not later than five years	56	-
	7,326	5,202

Of the committed funds, approximately $0.7 million (2011: $4.6m) is available for cancellation if a decision is made, at the date of this report, to terminate the project to which the commitment relates. Most of the research commitments noted above relate to the BARDA contract and are reimbursable.

27 RELATED PARTY TRANSACTIONS

(a) Parent entity and controlling entity

The parent entity and ultimate controlling entity within the Group is Biota Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

(c) Key management personnel

Transactions with key management personnel were solely in relation to remuneration. Disclosures of these amounts are set out in note 22.

(d) Wholly-owned Group

Interest held in the controlled entities is disclosed in note 28.

Transactions between Biota Holdings Limited and related parties in the wholly-owned Group during the years ended 30 June 2012 and 30 June 2011 consisted of amounts advanced by Biota Holdings Limited. Aggregate amounts receivable from entities in the wholly-owned Group at balance date were:

	Parent entity 2012 $	Parent entity 2011 $
Non-current receivables (loans)	70,123,358	55,075,336
Provision for doubtful debts	(70,123,358)	(55,075,336)

Aggregate amounts brought to account in relation to other transactions with each class of other related parties:

	$	$
Loans to subsidiaries		
Beginning of the year	55,075,336	70,421,171
Loan repayments received	(1,525,338)	(94,708,576)
Loans advanced	16,573,360	79,362,742
End of the year	70,123,358	55,075,336

28 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding and voting power 2012 %	2011 %
Biota Scientific Management Pty Ltd*	Australia	Ordinary	100	100
Biota Investments Pty Ltd	Australia	Ordinary	100	100
Biota Respiratory Research Pty Ltd	Australia	Ordinary	100	100
Biota Europe Limited	England	Ordinary	100	100

***** This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 33.

29 PARENT ENTITY INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity 2012 $'000	2011 $'000
Balance sheet		
Current assets	43,147	55,940
Total assets	53,302	56,530
Current liabilities	12,563	2,424
Total liabilities	12,888	15,990
Net assets	40,414	40,540
Shareholders' equity		
Issued capital	149,132	148,565
Reserves		
- Share-based payments	(268)	(2)
Accumulated losses	(108,022)	(121,733)
Profit for the year	(427)	13,709
Total shareholders' equity	40,414	40,540
(Loss)/Profit for the year	(427)	13,709
Total comprehensive (loss)/income	(427)	13,709

There are cross guarantees given by Biota Holdings Limited, and Biota Scientific Management Pty Ltd as described in note 33. No deficiencies of assets exist in any of these entities.

A letter of support has been provided by Biota Holdings Limited to provide funds to Biota Europe Limited for the foreseeable future.

No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as the fair value of the guarantee is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2012, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (2011: $Nil).

30 EVENTS OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years;

(b) The results of those operations in future financial years; or

(c) The Group's state of affairs in future financial years.

31 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flow information			
(Loss)/profit for the year		(18,814)	(28,090)
Depreciation and amortisation		2,987	5,916
Loss on disposal of plant and equipment		8	128
Treasury shares		20	-
Share based payments		717	436
Changes in assets and liabilities			
Decrease/(increase) in trade debtors and other debtors		(3,165)	(1,988)
Decrease/(increase) in deferred tax asset	8	(207)	95
(Decrease)/increase in trade creditors and other liabilities		2,464	(11,478)
(Decrease)/increase in provisions		562	911
Net cash inflow from operating activities		(15,428)	(34,070)

32 LOSS PER SHARE

(a) Basic (loss)/earnings per share

	Consolidated 2012 Cents	Consolidated 2011 Cents
From continuing operations attributable to the ordinary equity holders of Company	(10.3)	(15.5)
From discontinued operations	-	-
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	(10.3)	(15.5)

(b) Diluted (loss)/earnings per share

	Consolidated 2012 Cents	Consolidated 2011 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(10.3)	(15.5)
From discontinued operations	-	-
Total diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company	(10.3)	(15.5)

(c) Reconciliations of (loss)/earnings used in calculating (loss)/earnings per share

	Consolidated 2012 $'000	Consolidated 2011 $'000
Net (loss)/profit attributed to the ordinary equity holders of the Company used in calculating basic (loss)/earnings per share	(18,814)	(28,090)
Net (loss)/profit attributable to the ordinary equity holders of the Company used in calculating diluted (loss)/earnings per share	(18,814)	(28,090)

(d) Weighted average number of shares used as the denominator

	Consolidated 2012 Number	Consolidated 2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	181,775,444	180,610,151
Adjustments for calculation of diluted (loss)/earnings per share		
- Shares allocated	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	181,775,444	180,610,151

(e) Information concerning the classification of securities

(i) Shares allocated

Shares allocated to employees under the Biota employee option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. They are not considered dilutive unless they reduce a profit or increase a loss per share. They have not been included in the determination of basic earnings per share.

33 DEED OF CROSS GUARANTEE

Biota Holdings Limited and Biota Scientific Management Pty Ltd are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a "Closed Group" for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Biota Holdings Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in the consolidated retained profits for the year ended 30 June 2012 of the Closed Group consisting of Biota Holdings Limited and Biota Scientific Management Pty Ltd.

	2012 $'000	2011 $'000
Revenues from continuing operations	22,319	18,931
Other income	538	3,052
Expenses		
Research and development	(10,836)	(17,420)
- Amortisation of antibacterial assets acquired	-	(1,010)
Product development	(16,521)	(15,551)
Business development	(942)	(807)
Sub-royalty	(1,212)	(1,213)
Corporate - head office	(6,985)	(5,044)
(Loss) before tax	(13,639)	(19,062)
Income tax credit/(expense)	208	(94)
(Loss) after tax	(13,431)	(19,156)
Summary of movements in accumulated losses		
At the beginning of the financial year	(39,460)	(20,304)
(Loss)/profit for the year	(13,431)	30,109
At the end of the financial year	(52,891)	(39,460)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group consisting of Biota Holdings Limited and Biota Scientific Management Pty Ltd.

	2012 $'000	2011 $'000
ASSETS		
Current assets		
Cash and cash equivalents	52,934	67,001
Trade and other receivables	6,625	3,111
	59,559	70,112
Non-current assets		
Receivables	37,840	35,819
Property, plant and equipment	4,680	5,205
Deferred tax assets	1,269	1,062
Intangible assets	1,775	2,970
	45,564	45,056
Total assets	105,123	115,168
LIABILITIES		
Current liabilities		
Trade and other payables	5,800	3,521
Deferred revenue	392	144
Provisions	2,462	2,080
	8,654	5,745
Non-current liabilities		
Provisions	496	320
	496	320
Total liabilities	9,150	6,065
Net assets	95,973	109,103
EQUITY		
Contributed equity	149,132	148,565
Reserves	(268)	(2)
Accumulated losses	(52,891)	(39,460)
Total equity	95,973	109,103

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 54 are in accordance with the Corporations Act 2001, including:

- Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- Giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) the remuneration disclosures set out on pages 16 to 24 of the directors' report comply with Accounting Standards AASB124 *Related Party Disclosures* and the *Corporations Regulations 2001;* and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Peter Cook
Director

James Fox
Director

Melbourne
20 September 2012

Independent auditor's report to the members of Biota Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Biota Holdings Limited (the company), which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Biota Holdings Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

(a) the financial report of Biota Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 16 to 24 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Biota Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Nadia Carlin
Partner

Melbourne
20 September 2012

The shareholder information set out below was applicable as at 11 September 2012.

A Unquoted equity securities

Unquoted equity securities	Number on issue	Number of holders
Options issued		
Under the Biota Employee Option Plan	5,049,445	88
Less Treasury shares held	(410,341)	
Available as new shares subject to performance criteria	4,639,104	

B Distribution of equity securities

	Holders	Ordinary shares	%
1-1,000	4,361	2,476,367	1.35
1,001-5,000	3,614	10,168,064	5.56
5,001-10,000	1,776	13,934,872	7.62
10,001-100,000	1,925	47,433,849	25.95
100,001 - and over	137	108,750,499	59.50
Totals	11,813	182,763,651	100.00
Holders with less than marketable parcel of securities	2,729	930,072	

C Twenty largest equity security holders

The names of the twenty (20) largest holders of equity securities as at 11 September 2012 are set out below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
JP Morgan Nominees Australia Limited	31,649,552	17.32
JP Morgan Nominees Australia Limited	19,449,866	10.64
National Nominees Limited	5,053,802	2.77
Promic Limited	3,985,240	2.18
Citicorp Nominees Pty Ltd	3,949,688	2.16
Arora Constructions Pty Ltd	3,300,000	1.81
HSBC Custody Nominees (Australia) Limited	2,977,562	1.63
Asia Union Investments Pty Ltd	2,000,000	1.09
Mr Graeme Anthony McDonald & Mrs Susan Wendy McDonald	1,968,006	1.08
Pacific Custodians Pty Limited	1,816,178	0.99
Albeni Superannuation Pty Ltd	1,647,019	0.90
Arora Constructions Pty Ltd	1,366,970	0.75
Sandhurst Trustees Ltd	1,075,661	0.59
The Welcome Trust Limited	1,019,300	0.56
LJ Thomson Pty Ltd	1,011,196	0.55
Phillip Asset Management Ltd	730,000	0.40
Bond Street Custodians Limited	713,531	0.39
Dr Marc Gregory Achen	700,000	0.38
BNP Paribas Noms Pty Ltd	677,710	0.37
Mr Christopher Ralph Thompson & Mrs Helen Barbara Thompson	513,966	0.28
	85,604,707	46.84

D Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
Name	**Number Held**	**Percentage of issued shares**
Hunter Hall Investment Management Ltd	24,781,543	13.66%
East Hill Holding Company, LLC	22,520,767	12.35%

E Voting Rights

On a show of hands each person as a member, proxy, attorney or representative has one (1) vote, and on poll, each member present or by proxy, attorney or representative has one (1) vote for each share held.

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