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For Immediate Release

Melbourne, Australia — 19 August 2009

Biota delivers net profit after tax of $38.2 million

Highlights

- PAT of $38.2 million.
- Relenza royalties of $45 million.
- Strong cash position at $86.7 million.
- Phase IIa of HRV lead compound achieves clinical proof-of-concept.
- Daiichi Sankyo exercises right to market CS-8958 (laninamivir) in Japan.
- RSV licence with AstraZeneca extended for US$3.5 million.
- Litigation against GSK resolved at mediation.

Events subsequent to 30 June 2009

- GSK intends to increase Relenza production capacity to 190 million courses by the end of 2009.
- The long-acting neuraminidase inhibitor laninamivir shown to be effective in Phase III clinical trials in Asia.
- RSV program returned to Biota.
- $20 million cash return to shareholders.

Biota Holdings Limited (ASX: BTA) today announced a net profit after tax of $38.2 million (2008: loss of $6.5m). Profit before tax was $41.8 million (2008: loss $9.3m) and includes $12.8 million net from the litigation settlement. Income tax expense at $3.6 million benefited through the recovery of $26.7 million in previously unbooked tax losses.

Total revenues were $83.3 million, up significantly from $45 million in 2008. Total revenues included $45 million of Relenza royalties (2008: $20.5m), $12.6 million of collaboration income from licensing agreements with AstraZeneca and Boehringer Ingelheim (2008:$15.2m), $20 million from the litigation settlement with GSK and grant income of $2.8 million from the US National Institutes of Health for the development of LANI programs (2008: $5.7m). Collaboration income in 2008 included a significant milestone payment of $3.4 million from AstraZeneca.

Costs decreased to $41.5 million (2008: $54.3m) with litigation costs of $7.2 million (2008: $21.8m), following conclusion of the litigation.

Cash at 30 June 2009 increased by $26.5 million to $86.7 million (2008: $60.2m).

Other Significant Events

- Mediated conclusion to the GlaxoSmithKline (GSK) litigation in July 2008 resulted in a payment to Biota of $20 million, and the normalisation of commercial relations;
- Increase in Relenza royalties from improved sales volumes. In May, GSK announced their intention to increase production levels to 5 million courses per month. In July 2009, GSK indicated that production capacity of Relenza would further increase to 190 million courses by the end of 2009;
- Biota's long acting neuraminidase inhibitor (second generation influenza anti-viral), laninamivir, reported successful results in its initial Phase II study in Japan and commenced the pivotal Phase III study at a number of centres in Asia. In August 2009, the successful results of the Phase III clinical evaluation of CS-8958 (laninamivir) in Asia were announced. Laninamivir is co-owned with Daiichi Sankyo;
- Daiichi Sankyo has elected to market laninamivir in Japan, which will result in a new royalty flow to Biota on all Japanese sales, once the product is approved;
- Successful results of the Phase IIa clinical evaluation of BTA798 for the treatment of complications of human rhinovirus (HRV) infection in patients with pre-existing asthma and other diseases; and
- The expansion of the licence of the Respiratory Syncytial Virus (RSV) program with AstraZeneca into additional Asian & Pacific territories for an additional US$3.5 million payment. The licence was terminated and the program reverted to Biota in August 2009. Biota will look to re-partner the promising backup compounds.

Future plans

Biota intends to move as soon as possible to the stage where it has two or three royalty generating products in the market.

During the recent period, the Board has confirmed its view that the Company's focus should be on building a balanced portfolio of anti-infective programs reasonably distributed across the various stages of discovery and development. Further, that the Company's proven business model of sharing the development risk through early licensing should be maintained and the portfolio be expanded to deliver the objective of multiple, royalty generating, products in market.

The Company is satisfied that there are a sufficient number of project candidates; through research institutes, universities or acquisition of projects or companies that align with our requirements; that it has the necessary core skills to exploit those potential opportunities and an adequate knowledge of customer's and market needs to be able to deliver commercially attractive returns to its shareholders. The expansion of the portfolio will occur progressively and start in the near future.

The current commercial outlook indicates that the financial resources to achieve those plans are also available.

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Outlook

The outlook for F2010 is strong:

- GSK has announced substantial forward orders and the intention to triple Relenza production capacity to 190 million courses by the end of 2009;
- A further increase in royalty income is expected. Relenza sales and royalties will continue to be provided on a quarterly market basis – the next being in late October;
- Following the success of the Phase III clinical trial in Asia for laninamivir, Daiichi Sankyo has undertaken to lodge a New Drug Application in Japan by March 2010 and commence prophylaxis studies;
- The Phase III laninamivir results have also seen an increase in commercial interest for markets outside of Japan; and
- The demonstrated proof-of-concept of BTA798 for the treatment of complications for HRV infection, has resulted in expressions of interest from a number of companies.

Capital Management

A cash return of $20 million will be made to shareholders in December 2009, subject to receiving shareholder approval if needed, at the forthcoming annual general meeting. The record date is 19 November 2009. This return follows the completion of an on-market share buyback in October 2008 when 6.6 million shares were purchased at a cost of $4.9 million (74 cents per share) and subsequently cancelled.

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

"*Relenza is now becoming a significant contributor to global influenza pandemic stockpiles and starting to deliver on its potential for shareholders.*

Our clinical pipeline has achieved important key milestones this year, in particular through success with laninamivir and the human rhinovirus program.

Prudent management of cash over the recent period now allows an initial return of $20 million to shareholders and we start the next financial year in a very strong position".

About Biota

Biota is a leading anti-infective drug development company based in Melbourne Australia, with key expertise in respiratory diseases, particularly influenza. Biota developed the first-in-class neuraminidase inhibitor, zanamivir, subsequently marketed by GlaxoSmithKline as Relenza. Biota research breakthroughs have included novel nucleoside analogues designed to treat hepatitis C virus (HCV) infections, licensed to Boehringer Ingelheim, and a series of candidate drugs aimed at treatment of respiratory syncytial virus (RSV) disease. Biota has clinical trials underway with its lead compound for human rhinovirus (HRV) infection in patients with compromised respiration or immune systems.

In addition, Biota has a key partnership with Daiichi Sankyo for the development of second generation influenza anti-virals.

**Further information available at www.biota.com.au*

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Biota Holdings Limited
ABN 28 006 479 081

ASX Preliminary Final Report
Lodged with the ASX under Listing Rule 4.3
Year ended 30 June 2009
(Previous corresponding period: Year ended 30 June 2008)

Results for announcement to the market

				$'000
Revenue from ordinary activities	Up	85%	To	83,334
Profit from ordinary activities after tax attributable to members *(Note: Loss in 2008)*	Up	688%	To	38,181
Profit for the period attributable to members *(Note: Loss in 2008)*	Up	688%	To	38,181

Explanation of Revenue

Refer to notes 5 and 6 to the Financial Report for the year ended 30 June 2009 which follows this announcement.

Explanation of Profit/(Loss) from ordinary activities after tax attributable to members

Refer to attached release entitled "Biota delivers net profit after tax of $38.2 million".

Dividends

The company has announced its intention to return $20m to shareholders. The record date for payment is 19 November 2009 with a payment date of 3 December 2009.

Biota and its advisor, Deloitte, have sought a Class Ruling for shareholders from the Australian Taxation Office (ATO) in relation to whether the taxation treatment associated with this payment, in whole or part, may be treated as a return of capital. To the extent that the ATO contends that any part of the payment is not a capital return it will be considered an unfranked dividend.

Based on the current number of shares on issue, the cash payment is estimated to equate to approximately 11 cents per share.

Financial Statements

Refer to attached Financial Report.

Amounts in the Preliminary Final Report have been rounded off to the nearest thousand dollars, unless otherwise stated

Supplementary Information

Additional dividend/distribution information
No additional information.

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

Retained earnings/accumulated losses
Refer to note 21 to the Financial Report.

NTA Backing	**2009**	**2008**
Net tangible assets per share	55 cents	35 cents

Controlled entities acquired or disposed of
The company did not acquire or dispose of any controlled entities during the year ended 30 June 2009.

Associates and joint venture entities
Refer to note 29 to the Financial Report.

Other significant information
Refer to the attached release entitled "Biota delivers net profit after tax of $38.2 million".

Commentary on results
Refer to attached release entitled "Biota delivers net profit after tax of $38.2 million".

Audit
The audit of the Financial Report is complete.

Damian Lismore
Company Secretary
19 August 2009

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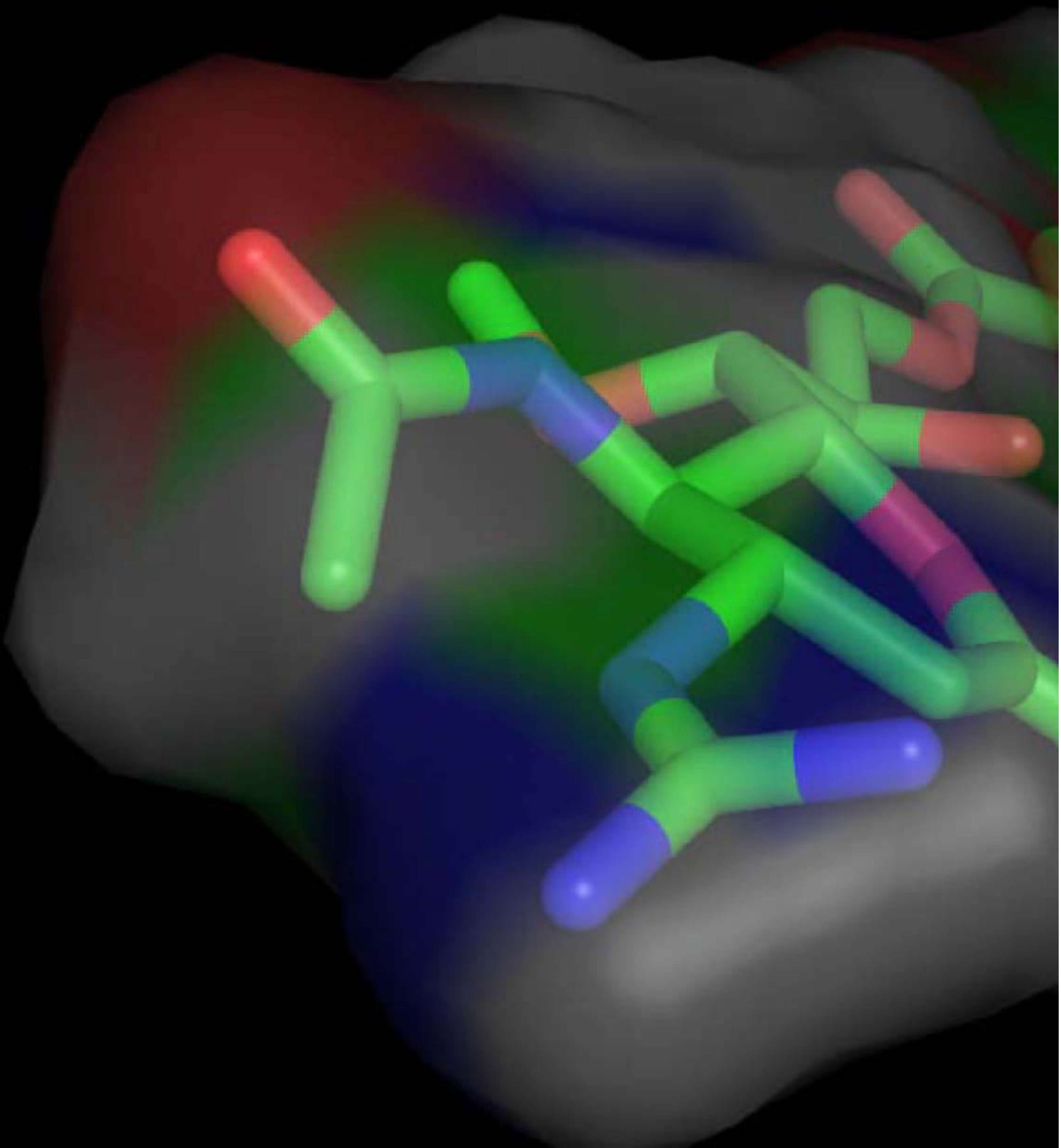
ANNUAL REPORT 2009



HIGHLIGHTS

- **Profit after tax of $38.2 million**
- **Relenza royalties were $45 million**
- **Strong cash position at $86.7 million**
- **Phase IIa of HRV lead compound achieves clinical proof-of-concept**
- **Daiichi Sankyo exercises right to market CS-8958 (laninamivir) in Japan**
- **RSV licence with AstraZeneca extended for US$3.5 million**
- **Litigation against GSK resolved at mediation**

EVENTS SUBSEQUENT TO 30 JUNE 2009

- **GSK intends to increase Relenza production capacity to 190 million courses by the end of 2009**
- **The long acting neuraminidase inhibitor laninamivir shown effective in Phase III clinical trials in Asia**
- **RSV program returned to Biota**
- **$20 million cash return to shareholders**

CONTENTS

CORPORATE DIRECTORY

Directors
Jim Fox – Chairman
Paul Bell
Peter Cook – Chief Executive Officer
Ian Gust
Richard Hill
Grant Latta

Company Secretary
Damian Lismore – Chief Financial Officer

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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

Cover: Chemical representation of laninamivir
the active component of the once weekly Long Acting Neuraminidase Inhibitor (LANI)

CHAIRMAN'S LETTER

This has been a transformational year for Biota and one in which the value of the Company's portfolio has become apparent.

Relenza has secured its position as a significant product in the global influenza market. In addition, there has been considerable advancement of a number of Biota's key clinical stage programs.

My focus is to ensure that the strategic direction for the Company is appropriate for its next stage of growth and that the Company is resourced to implement and deliver against that strategy.

Drug development is about long lead times and the management of significant risk. Building a sustainable drug development business therefore requires both numerous initiatives and long-term thinking. It follows that the strategic challenge for your Board and management is to retain commercial focus while at the same time expanding the number of Biota originated products in the market generating royalties.

Successful execution of this strategy will deliver reliable cash flows and create sustainable shareholder value.

Biota enjoys a quite distinctive position in its ability to contemplate such a strategic approach. It was that opportunity which attracted me to the Board and to accept the role of Chairman. Biota's challenges are those of managed expansion and its transition to maturity, rather than those faced by more junior companies in its sector in Australia.

Reflecting this positive outlook, your Board is pleased to recommend a $20 million distribution to shareholders.

Shareholders will be asked to approve the payment at the Annual General Meeting and, if approved, shareholders should expect to receive their payment in December this year.

Your Board will continue to seek efficient ways to return cash to shareholders that is surplus to the needs of the business.

This year the Annual General Meeting will be held 12 November at which point we should be able to provide you with an update on the first quarter's trading performance. I look forward to meeting many of our shareholders in person.

Once again, thank you for your continued support.

Jim Fox
Chairman

CEO'S REPORT

HIGHLIGHTS

Biota has delivered a number of key milestones during 2009.

- The true commercial value of Relenza is beginning to be realised. The swine flu pandemic has seen national stockpiles of anti-virals progressively upgraded and rebalanced in favour of Relenza;
- Biota's second generation influenza anti-viral, laninamivir, has moved rapidly through Phase II and III trials successfully and is well-positioned for licensing and commercialisation;
- Proof of concept was achieved with the HRV program, with corresponding generation of commercial interest; and
- Rigorous financial control, particularly of cash, in an uncertain commercial environment has created operational flexibility and strategic opportunity.

FINANCIAL REPORT

This year Biota achieved a profit after tax of $38.2 million a significant improvement on the loss of $6.5 million last year. An increase of $26.5 million in cash leaves the company in a very strong cash position with $86.7 million at the end of the year. Profit before tax was $41.8 million (F2008: loss $9.3 million), with the low income tax expense of $3.6 million achieved by the recovery of $26.7 million of previously unbooked tax losses.

Revenue and other income for the year was $83.3 million, up significantly from $45 million last year, with the biggest contribution from Relenza royalties of $45 million, up from $20.5 million last year, and $20 million from the settlement of litigation against GSK. Collaboration income from licensing agreements with AstraZeneca and Boehringer Ingelheim was $12.6 million (F2008 $15.2 million, which included a $3.4 million milestone payment from AstraZeneca) and grant income from the US National Institutes of Health was $2.8 million this year compared to $5.7 million last year.

Costs decreased to $41.5 million from $54.3 million the previous year as litigation costs declined from $21.8 million last year to $7.2 million. Research and development expenses increased to $13.3 million from $10.3 million, consistent with our intended investment in the development pipeline.

An on-market share buy back announced and commenced in F2008, was completed in October 2008. During F2009 6.6 million shares were purchased and subsequently cancelled, for a total of $4.9 million.

It is pleasing that a cash return of $20 million to Biota's shareholders will be offered to shareholders in December 2009, subject to shareholder approval at the forthcoming Annual General Meeting.

STRATEGY

Biota's business activity is drug development. To provide a consistent dividend stream to shareholders and sufficient retained earnings to fund its immediate development programs, Biota requires two or three royalty generating products in the market at any particular point in time. Our objective is to achieve that position as soon as possible.

Biota's business strengths are in anti-infective drug discovery and development, and its commercialisation. Characteristically, our programs involve long lead times, face technical and developmental hurdles, yet offer the opportunity of high commercial reward. A typical drug development project takes 13 years from the initiation of research to the first sale of product. For the first seven years, the project requires the discovery company to bear the full investment cost, followed by an additional 6 years of investment by a licensee, usually a large pharmaceutical company. After product launch, the licensee would not expect to see annual sales to peak for 6 years and would anticipate a patent life of 10 years.

Industry wide experience in anti-infective development indicates that the initial seven year period, i.e., the period from the initiation of discovery to the completion of early clinical development, a period of focus for Biota, has a 1 in 7 chance of success and the potential of a product actually reaching market, declines to 1 in 20. There are then clearly further risks and uncertainties even when the product is marketed.

With a 13 year cycle time and a final product to market success rate of only 1 in 20, at our stage of development, Biota has no intention of taking products to market; or indeed of investing in one project/product exclusively into very late stage clinic. Biota's focus is on the initial 7 years of the development period where we have demonstrated considerable success in sharing the early development risk with our partners and where our chances of establishing a successful licence are significantly improved. The financial return to our shareholders remains equally attractive under this approach, through lower cash exposure and faster cycle times.

However, to provide consistent returns to its shareholders, drug discovery companies like Biota must be self-supporting. They need to be able to repeatedly replicate the drug development cycle to create new products using a balanced portfolio of programs, with each program at a specific stage of development.

Biota intends to move to the stage where it has multiple, royalty earning products in the market.

It follows that it also requires:

- Access to an adequately large pool of projects;
- Skills to transform those into viable drug development programs; and
- Knowledge of markets and customers to achieve commercial licensing.

There must also be access to sufficient funds - either from shareholders or retained earnings – to maintain the product development cycle.

In our view, Biota has the requisite core of skills and human resources to build a sustainable drug development company. There is access to an adequate pool of project candidates, through research institutes and universities or alternatively, through the acquisition of projects or companies that meet our specific areas of interest. As well as can be forecasted, the foreseeable profit and cash generation appears to be sufficient to meet the necessary funding requirements, to also meet that goal.

OPERATIONS

LICENSED AND MARKETED PRODUCTS

Relenza

Biota licensed zanamivir, the world's first in class neuraminidase inhibitor, to Glaxo (now GlaxoSmithKline) in 1990 and which was subsequently marketed as Relenza, in 1999.

Royalties for Relenza this year were a record $45 million, up from $20.5 million last year, particularly as the result of significant orders from Japan and for pandemic stockpiling by the UK government.

In May, Biota announced that the Australian government intended to purchase an additional 1.6 million courses of Relenza for the National Medical Stockpile to bolster pandemic anti-viral supplies at a purchase cost of $43 million. On completion of the supply contract, the Australian stockpile would include 3.4 million courses of Relenza, or 33% of the total stockpile of influenza anti-virals.

In response to the emergence of the new influenza A (H1N1) pandemic strain, commonly referred to as swine flu, both in May and again in July, GSK committed to increase its Relenza capacity. In the most recent announcement, GSK indicated its intention to triple its annual production capacity of Relenza from 60 to 190 million courses by the end of 2009. Production capacity of Diskhaler Relenza was to be increased from 60 to 90 million courses and a further 100 million courses a year of additional capacity was to be made available as Rotacaps Relenza. This alternative inhaler format for Relenza has been granted temporary approval by Swedish regulators and hence for use within the EU, during a pandemic.

GSK has also indicated that it intends to donate 2 million courses of Relenza to the WHO and on which Biota has agreed to waive royalties.

There is a time lag between an order being placed and a recorded sale on the shipment of goods and the significant government stockpile orders received by GSK after the swine flu outbreak in late April 2009. Orders are expected to appear as sales in future quarters. The expansion of Relenza capacity and any increase in resultant royalty payments will not effect Biota's cash position until June 2010, at the earliest.

OIA Flu range

Inverness Medical ceased manufacture of the product range in June 2008 and it is unlikely that any further royalties will be payable to Biota beyond F2009.

LICENSED COLLABORATIVE PROJECTS

RSV – AstraZeneca

Biota's RSV program was licensed to MedImmune Inc., in December 2005 at the late discovery/pre-lead stage and in 2007 MedImmune was subsequently acquired by AstraZeneca. In August 2008 the License and Collaboration Agreement with MedImmune was formally transferred to AstraZeneca with an additional US$3.5 million payment to Biota for rights to Asian territories not held by MedImmune under the original agreement.

BTA9881 was the first representative of a novel class of RSV fusion inhibitors developed by Biota to enter clinical trial. In August 2009, Biota announced completion of Phase Ia clinical trial for BTA9881, that AstraZeneca had terminated the Licence and Collaboration Agreement and that further development of this compound had been halted. The profile of BTA9881 did not meet the desired safety margin required by AstraZeneca to continue development of this compound.

All rights in the RSV program have reverted to Biota. The company intends to invest approximately $3 million in F2010 for the development of the promising back-up compounds available and believes that the prospects for re-licensing the program in the future are favourable.

HCV and Boehringer Ingelheim

In November 2006, the Company announced that it entered into a worldwide research collaboration and licensing agreement with Boehringer Ingelheim to develop and commercialise Biota's nucleoside analogues designed to treat hepatitis C (HCV) infections and potentially other diseases. Under the terms of the agreement Biota was eligible to receive payments of up to US$102 million.

The program has progressed well against the agreed objectives although at this stage, no financial milestone has yet been delivered.

INTERNAL PROJECTS

LANI

Current neuraminidase inhibitors for influenza require daily or more frequent dosing. The ability to dose patients on a weekly, or even less frequent basis, offers a number of potential benefits. Firstly, any stockpile of a weekly-dosed drug is likely to be more economically and conveniently stored and, when faced with the reality of influenza pandemic, deployed. Additionally, a weekly dose should improve patient compliance over any alternative requiring more frequent dosing.

Second generation influenza anti-virals, or long acting neuraminidase inhibitors (LANI) address this limitation in the current products. In 2003, Biota and Daiichi Sankyo merged their respective LANI programs, the lead compound of which was CS-8958. Under this co-ownership agreement, Daiichi Sankyo held an option to manufacture and market CS-8958 in Japan, in return for funding the Japanese trials.

In July 2008, Biota announced that CS-8958 had successfully completed its initial Phase II clinical evaluation, showing favourable outcomes against all measured endpoints. In March 2009, Biota announced that Daiichi Sankyo had exercised their option to manufacture and market the product in Japan, pending the successful completion of the pivotal Phase III clinical studies and on obtaining registration approval.

The successful results from the Asian Phase III clinical trials of CS-8958 were announced in August 2009, with the compound assigned the generic name of 'laninamivir' by the World Health Organization's International Non-proprietary Names (INN) drug identification system.

In the Phase III trial in adults, a single inhaled dose of laninamivir was shown to be as effective as oseltamivir (Tamiflu) administered orally twice daily for 5 days (total of 10 doses). A parallel Phase II/III trial of CS-8958 in paediatric patients also met the primary and secondary endpoints compared to oseltamivir.

Pre-clinical tests have shown laninamivir to be effective against influenza A & B virus as well as against the H5N1 avian influenza virus. A paper by University of Tokyo virologist, Yoshihiro Kawaoka et al., and recently published in *Nature*, indicated that laninamivir was also active against the swine flu pandemic strain, A (H1N1).

Daiichi Sankyo is seeking approval from the Japanese regulatory authority to market laninamivir in Japan, with submission anticipated by March 2010. A clinical study for prophylaxis of influenza is expected to commence in Japan in late 2009.

Under the co-ownership agreement with Daiichi Sankyo Biota receives a royalty on sales in Japan and will also receive a number of fixed sum payments on the achievement of specified sales milestones.

Biota will continue to advance the clinical development program required to support registration in North America and Europe. The US National Institutes of Health has to date committed a total of US$5.6 million to support the western clinical development program.

An active search for a licensing partner for all markets outside Japan, including the US, is underway and some promising discussions have been initiated. Under the Commercialisation and Licence Agreement between Biota and Daiichi Sankyo, the parties will share commercial returns from licensing outside Japan.

HRV

Human rhinovirus (HRV) infection is frequently associated with clinical complications in patients with pre-existing asthma, cystic fibrosis, chronic obstructive pulmonary disease or a compromised immune function, such as transplant patients.

In August 2008 Biota announced the commencement of dosing in the first Phase IIa challenge study of BTA798, an orally active inhibitor of HRV. In June 2009, Biota announced the study had been concluded and had successfully demonstrated proof-of-concept in humans by reducing the incidence and severity of induced HRV infection. Proof-of-concept studies are early clinical trials undertaken to establish preliminary evidence of efficacy in a small number of subjects.

Future studies will address efficacy and safety in target patient groups with naturally acquired HRV infection, where appropriate risk/benefits can be established. Clinical plans will be discussed with regulatory agencies before the end of 2009.

Biota has confirmed its intention to license the global rights to the HRV program and is actively seeking commercial partners.

HCV non-nucleoside

The hepatitis C non-nucleoside (HCV-NN) program is in its early stages and remains a core focus for Biota.

This program is unrelated to the HCV program Biota has licensed with Boehringer Ingelheim as the programs have distinctly different targets.

CMV

In June 2008, Biota entered into a commercial agreement for the use of certain assays developed by Harvard Medical School to assist in the development of small molecule inhibitors of specific enzymes to human cytomegalovirus (CMV).

In April 2009 the relationship with Harvard Medical School was extended for a further year as the program had shown sufficient promise to warrant further investment. The new program requires Harvard Medical School to achieve certain specific, agreed milestones within the 12 month timeframe.

OUTLOOK

The near term outlook for Biota will be significantly influenced by the evolving swine flu pandemic, which has yet to run its full course.

During the year, it was apparent that a number of governments and health authorities successfully deployed anti-virals as the front line of the management of the pandemic. Many facets of pandemic preparedness were tested, including a number of different approaches as to how anti-virals could and should be deployed. Those governments that had prepared adequately with sufficient initial supplies of anti-virals appeared best able to handle the crisis. As the pandemic developed, stockpiles were re-balanced and in some cases increased, to include higher proportions of Relenza. As a result, Relenza is now firmly established as one of the key products for combating this and any future influenza pandemic. The trend to re-balance stockpiles with a higher proportion of Relenza seems likely to continue and more governments are expected to build and extend their Relenza stockpiles.

While the swine flu experience has confirmed the critical role of anti-viral drugs in combating global pandemics, concerns about possible future resistance to the existing anti-virals, particularly the adamantanes and oseltamivir, has reinforced the need for additional novel agents to be available and included in the national stockpiles.

These issues and its product profile create heightened prospects for laninamivir, currently the most advanced of the novel anti-influenza therapies available.

For these reasons Biota's prospects appear most promising and the Board and management are confident of a solid F2010.

Peter Cook
Managing Director

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 2009.

DIRECTORS

The following persons were directors of Biota Holdings Limited during the whole of the financial year and up to the date of this report:

Mr Paul Bell
Mr Peter Cook
Professor Ian Gust
Mr Grant Latta

Mr Richard Hill and Dr Jim Fox (Chairman) were appointed as directors on 28 November 2008 and 27 February 2009 respectively and continue in office at the date of this report. Ms Barbara Gibson was a director from the beginning of the financial year until her resignation on the 17 December 2008. Mr John Grant was a director from the beginning of the financial year until his resignation on 27 February 2009.

INFORMATION ON DIRECTORS AS AT 30 JUNE 2009

Jim Fox
BE M.Eng Sci., PhD
(Chairman, non-executive director)

Experience and Expertise
Jim Fox joined the Board on 27 February 2009 and was elected Chairman.

Dr Fox is a successful businessman with strong financial and commercial skills. He has significant experience in commercialising innovative technologies and growing a global business. He was formerly CEO of Vision Systems, a Melbourne based technology development company, which he led until its takeover by a large US based company, Danaher.

Other Current Directorships
Elders Limited (formerly Futuris Limited).
Air New Zealand Limited.
MS Research Australia.
TTP Group PLC (UK).
ISoft Group Ltd (appointed 6 July 2009).

Former Directorships in the last 3 years
Vision Systems Limited.
Optiscan Imaging Limited.

Special Responsibilities
Chairman of the Board.
Member of the Remuneration and Nominations 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 September 2006. He has had an extensive executive career with the international pharmaceutical company Merck & Co Inc. Paul is a former member of Merck's Management Committee and was President of their Asia Pacific Human Health Division between 1997 and 2002. Prior to that he was Managing Director of Merck Sharp & Dohme Australia Pty Ltd.

Other Current Directorships
Cochlear Limited.

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

Special Responsibilities
Chair of the Remuneration and Nominations Committee (from 1 August 2008)

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

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

Experience and Expertise
Peter Cook was appointed Managing Director and Chief Executive Officer in December 2005. He has had extensive experience in restructures, mergers and acquisitions, innovation and innovation commercialisation with technology-based companies and has a strong manufacturing background. He also has over ten years of international commercial experience in Europe, USA and Asia, where he has both lived and worked.

Peter was formerly Chief Executive Officer and Managing Director of Orbital Corporation Limited. He 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.

Interest in Shares and Options
141,200 Ordinary shares in Biota Holdings Limited.
1,169,872 Unlisted options over 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
Ian Gust was appointed a director in July 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 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
Opal Therapeutics Pty Ltd.
Opal Therapeutics Inc.
Board of International Aids Vaccine Initiative.
Board of Paediatric Dengue Vaccine Initiative.
Bio 21 Australia Ltd.

Former Directorships in the last 3 years
Board of Australian International Health Institute.

Special Responsibilities
Member of the Remuneration and Nominations Committee.

Interest in Shares and Options
458,036 Ordinary shares in Biota Holdings Limited.

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

Experience and Expertise
Richard Hill was appointed a director on the 28th November 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. He is an Attorney in New York State, USA.

Other Current Directorships
Sirtex Medical Limited (Chairman).
Calliden Group Limited (Chairman).
Pelorus Property Group Limited.

Former Directorships in the last 3 years
None.

Special Responsibilities
Member of the Audit and Risk Committee.

Interest in Shares and Options
Nil.

Grant F Latta AM
B.Bus, MBA, CPA, FAICD, FAIM,
(*Non-executive director)*

Experience and Expertise
Grant Latta was appointed a director in February 2006. He is an experienced company director and senior business executive with strong financial management, marketing and strategic skills which he has gained through a depth of successful domestic and international business experience in large and emerging companies.

Grant is a member of the Australian Competition Tribunal to the Federal Court. He was formerly Chairman of the Grains Research and Development Corporation, Deputy Chairman of Food Science Australia, Deputy Chairman of Export Finance and Insurance Corporation and Director of Austrade.

Other Current Directorships
Ricegrowers Limited.

Former Directorships in the last 3 years
Optiscan Imaging Limited (Chairman).
TP Health Limited (Chairman).
Vision Systems Limited (Deputy Chairman).

Special Responsibilities
Chairman of the Audit and Risk Committee.

Interest in Shares and Options
160,000 Ordinary shares in Biota Holdings Limited.

COMPANY SECRETARY

Damian T Lismore
FCA, GAICD, BA (Hons) Accountancy

Damian Lismore was appointed Chief Financial Officer and Company Secretary in August 2005. He has extensive experience throughout the healthcare industry, particularly in acquisitions and restructures, commercialisation of new technologies and dealing with the investment community.

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 2009, 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**		**Remuneration and Nominations**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Jim Fox – *Chairman* (appointed 27/2/09)	3	3			2	2
John Grant – *Chairman* (resigned 27/2/09)	8	8	3	3	6	6
Peter Cook	11	11		*3		*8
Ian Gust	11	11		*2	8	8
Richard Hill (appointed 28/11/08)	5	5	2	2		*3
Grant Latta	11	11	4	4		*6
Paul Bell	11	11	3	3	8	8
Barbara Gibson (resigned 17/12/08)	6	6			4	4

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

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Constitution, Ian Gust retires by rotation at the 2009 Annual General Meeting and who, being eligible, offers himself for re-election.

Dr Jim Fox and Mr Richard Hill were appointed as directors on 27 February 2009 and 28 November 2008 to fill casual vacancies. In accordance with the Constitution, Dr Jim Fox and Mr Richard Hill retire as directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE STATEMENT

The Company has adopted corporate governance practices which are consistent with the ASX Corporate Governance Council best practice principles and recommendation guidelines. The Board continues to review the framework and practices to ensure they meet the interests of all shareholders. Biota considers its practices achieve compliance in a manner appropriate for smaller listed entities such as Biota.

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.

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; and
- Reporting to shareholders and regulatory authorities.

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

Composition of the Board

The Board comprises a majority of independent directors with appropriate skills. It has five non-executive directors, including an independent chairman and one executive director. 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 3 years and did not become a director within 3 years of being so employed;
- Within the last 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 undertakes an annual review of the extent to which each non-executive director is independent or not, 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 2009". Details on the length of service, independence and board roles are included in the following table:

Director	Term to 30 June 2009	Independent	Non-executive	Board roles at 30 June 2009
Jim Fox – *Chairman* (appointed 27/2/09)	4 months	✓	✓	Board Chairman Remuneration & Nominations Committee member
Paul Bell	2 years	✓	✓	Remuneration & Nominations Committee Chair
Peter Cook	3 years	-	-	Executive board member
Ian Gust	8 years	✓	✓	Remuneration & Nominations Committee member
Richard Hill (appointed 28/11/08)	7 months	✓	✓	Audit & Risk Committee member
Grant Latta	3 years	✓	✓	Audit & Risk Committee Chair

From time to time, board members have been called on for special consultancy work. Current procedures stipulate that approval is obtained from the Board prior to using the consultancy services of a director. The Board ensure that any payment is appropriate and in keeping with the nature of the services provided.

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. 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.

Each director normally serves for a period of three (3) years before re-election although the Constitution requires that one 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 periods of three 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.

The performance of a director is continually monitored by the Chairman and peers and is reviewed with each director by the Chairman. The performance of the Chairman is reviewed by other directors and the results discussed with the Chairman by the elected lead director.

Board commitment

During the financial year, the Board met eleven (11) times as well as an additional corporate strategy workshop. 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.

Where directors are associated with organisations with which the Group might have ongoing commercial relationships, the director involved will disclose where a potential conflict of interest may arise.

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 the 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. The Board has approved a Code of Conduct and Share Trading Policy.

Company securities

The Board have adopted a Share 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 trading days prior to the release of financial results. During the year, directors and key management personnel have been subject to trading blackout periods of 222 days.

The Board formally reviews the need for the declaration of any further blackout period at each formal 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.

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

J Grant and P Bell were members of the Committee until 27 February 2009 and 1 March 2009 respectively. R Hill was a member of the Committee effective from 1 March 2009. G Latta (Chair) was a member of the Committee for the full year.

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 meetings of the Committee without executives in attendance. The Chief Executive and Chief Financial Officer declared in writing to the Board that the Company's financial report for the year ended 30 June 2009 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 their audit engagement partner, on listed companies, at least every five 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 adopted a policy to identify matters that a reasonable person would expect to have a material affect on the price of the Company's securities.

The Continuous Disclosure 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 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 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;
- Share 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.

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 Officer and Chief Financial Officer 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.

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 appropriate.

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 on safety, health and environment.

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, Chief Financial Officer/Company Secretary, senior executives/scientists and the directors themselves;
- Management recommendations for executive succession planning, share schemes, incentive performance packages, superannuation entitlements and fringe benefits policies; and
- The size and composition of the Board, including necessary director skills and competencies.

Remuneration policies are competitively set to attract and retain the most 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. Survey information is obtained from the Mercer Pharmaceutical and Healthcare Industry Remuneration Review, Hewitt CSI Australia Biotech Industries Salaries and Benefits Survey, Monash University and CSIRO.

The Remuneration and Nominations Committee meets at least twice a year as and when required. The Committee is chaired by a non-executive director, not being the Chair of directors and comprises two other non-executive directors. The members of the Remuneration and Nominations Committee during the year were P Bell (Chair) who replaced B Gibson (Chair) on 1 August 2008, Jim Fox who replaced J Grant on the 27 February 2009, and I Gust. All other directors are able to attend meetings as observers, at the discretion of the Committee Chair although 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 23 and forms part of the Directors' report for the year ended 30 June 2009.

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 its commercialisation.

REVIEW OF OPERATIONS

The Group result for the year ended 30 June 2009 was a net profit after tax of $38.2 million (2008: loss of $6.5m). Profit before tax was $41.8 million (2008: loss $9.3m) and includes $12.8 million from a litigation settlement.

Total revenues were $83.3 million, up significantly from $45 million in 2008. Total revenues included $45 million of Relenza royalties (2008: $20.5m), $12.6 million (2008:$15.2m) of collaboration income from licensing agreements with AstraZeneca and Boehringer Ingelheim, $20 million from the litigation settlement with GSK and grant income of $2.8 million (2008: $5.7m) from the US National Institutes of Health for the development of LANI. Collaboration income in 2008 included a significant milestone payment of $3.4 million.

Costs decreased to $41.5 million (2008: $54.3m) with litigation costs of $7.2 million (2008: $21.8m), following conclusion of the litigation.

Cash at 30 June 2009 was $86.7 million (2008: $60.2m).

DIVIDENDS

The company has announced its intention to return $20m to shareholders. The record date for payment is 19 November 2009 with a payment date of 3 December 2009.

Biota and its advisor, Deloitte, have sought a Class Ruling for shareholders from the Australian Taxation Office (ATO) in relation to whether the taxation treatment associated with this payment, in whole or part, may be treated as a return of capital. To the extent that the ATO contends that any part of the payment is not a capital return it will be considered an unfranked dividend.

Based on the current number of shares on issue, the cash payment is estimated to equate to approximately 11 cents per share.

EARNINGS/(LOSS) PER SHARE

	2009 Cents	2008 Cents
Basic earnings/(loss) per share	21.7	(3.5)
Diluted earnings/(loss) per share	21.6	(3.5)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In July 2009, GSK indicated that production capacity of Relenza will increase to 190 million courses by the end of 2009 following approval of the Relenza Rotahaler as an alternative Relenza treatment in Europe, during a pandemic. The timing of income to Biota will depend on the ability of GSK to secure orders against the increase in production capacity.

In August 2009, Biota announced:

- The long acting neuraminidase inhibitor laninamivir was shown to be effective in Phase III clinical trials in Asia;
- The return of the RSV program to Biota and the intention of Biota to invest approximately $3 million in developing promising back up compounds in F2010; and
- An intention to return $20 million in cash to shareholders.

Apart from the foregoing, no matter or circumstance has arisen since 30 June 2009 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 its commercialisation.

Any further information on likely developments in the operations of the consolidated entity and the expected results of operations has not been included in this annual financial report because further disclosure would not be in the consolidated entity's best interests.

INSURANCE OF OFFICERS

During, or since the end of, the financial year the Company has not indemnified, or made a relevant agreement for indemnifying, against a liability of any present or former officer or auditor of the Company or any of its related bodies corporate as contemplated by subsections 309A(1) and (2) of the Corporations Act 2001.

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	
	2009	**2008**
	$	**$**
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	121,000	118,050
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Audit of grant returns	30,000	30,000
Total remuneration for audit and assurance services	151,000	148,050

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 24.

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.

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

Jim Fox
Director

Melbourne
18 August 2009

REMUNERATION REPORT

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

A Principles used to determine the nature and amount of remuneration

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:	a share that may become owned at some stage in the future.
Vested:	a share that is owned.
Total fixed remuneration (TFR):	the gross amount of salary, fringe benefits and 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.

A Principles used to determine the nature and amount of remuneration

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, Hewitt CSI Australia Biotech Industries Salaries and Benefits Survey, Monash University and CSIRO. 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.

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 by the use of 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.

This year there has been particular difficulty in assuring the accuracy of the data for the senior positions included in the independent surveys. Accordingly and until that position can be corrected, the Remuneration and Nominations Committee has recommended and the Board accepted that director's fees and total fixed remuneration for the key management personnel is frozen.

Performance-linked remuneration

Please note; Non-executive directors do not 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 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 create value for shareholders. They also directly 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 corporate 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 corporate KPIs, specific project targets and personal KPIs. All employees have a significant portion of any cash incentive linked to the corporate KPIs. The F2009 cash incentive payment will be made in August 2009, once approved by the Board.

The cash incentive is capped as a percentage of TFR for each individual. The CEO's limit is 60%, the limit for other key management personnel is 40%, with progressively lower amounts for other members of staff.

Biota employee option plan

The Company encourages all 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 or at the Board's discretion. The individual receives ordinary shares in the Company at no cost under both the Equity Retention Incentive or the TSR Equity Incentive programs. An employee cannot participate in both schemes simultaneously. At 30 June 2009, total shares subject to the BEOP represented 2.2% 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 years. For consistency, the performance targets are the KPIs used for the determination of the cash incentive, however, the retention incentive requires a KPI hurdle of 50% 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 calulation 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 on each of the first and second anniversary of the date of allocation. Individuals who are no longer employed by the Company on the anniversary dates, have no entitlement. All entitlements cease after five years.

The equity retention incentive is reported in the income statement at the share price on the allocation date. However, due to the vesting criteria, accounting standards require that three quarters of the value of the retention incentive appears in the first year and one quarter appears in the second year.

All senior executives, generally the key management personnel, transitioned to the TSR equity incentive plan on 1 July 2007. They are not entitled to further allocations under the equity retention incentive and the last year of any outstanding payment is F2009.

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 3 year period and consist of two components:
    1. An absolute shareholder return based on share price growth and adjusted for capital or dividend payments. The absolute TSR targets set in F2009 are provided in the table below. They are based on the 15 day volume weighted average share price to 30 June 2008 of $0.84.
    2. Share price growth relative to a peer group. The relative TSR performance uses companies in the 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 each 3 year period, the cumulative score is used to calculate relative performance.

Absolute share price measure				Relative share price		Total options allocated
	Annual growth %	Vesting %	Share price target	Vesting %	Relative index score	
			2011		2011	
Threshold	8	25	$1.06	25	≥50%	
Target	10	50	$1.12	50	≥58%	
Stretch	16	100	$1.31	100	≥75%	
Total options allocated on absolute share price measure			1,048,353	Total options allocated under relative performance measure	262,092	1,310,445

The tables above are a summary of the shares allocated in F2009 and the TSR targets for each performance measure at 30 June 2011. These shares are "at risk" and do not become the property of the individual until the performance targets are met in June 2011.

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 at the commencement of each three year cycle. Under each TSR measure the incentive is only available when performance exceeds the Threshold and the maximum available
is achieved at Stretch and proportionally between.

- The value of the TSR equity incentive is capped as a percentage of an executive's TFR. In the case of the CEO, it is capped at 80%, and for other senior executives, at 60%.
- The value of shares is calculated at the 15 day volume weighted average price at the beginning of the three year period and the number of shares to be allocated is calculated at the maximum achievable, so that sufficient shares are available at the end of the three year performance period. The shares vest on the achievement of the performance targets after three years, but if performance targets are not met, retesting may occur for a further two years but with targets increasing at the annual growth rate set at the date of allocation.
- Where TSR measures are not achieved at the three year date or within the re-test period, there is no further entitlement.

The remuneration expense has been reported in the income statement in accordance with Australian Accounting Standards. These standard require a value to be assigned to entitlements that remain "at risk" and are not the property of the executive, as the performance targets have not yet been met. The reported remuneration does not therefore directly correlate with the remuneration received as it includes this 'at risk' element.

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 and the increasing commitment of time required by each Board member in the current heightened 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 fees through membership of either the Audit & Risk Committee or the Remuneration & Nominations Committee. This year there has been particular difficulty in assuring the accuracy of the data for the senior positions included in the independent surveys. Accordingly and until that position can be corrected, the Remuneration and Nominations Committee has recommended and the Board accepted that director's fees and total fixed remuneration for the key management personnel is frozen.

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

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 2009, are set out in the table below.

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

- Peter Cook – *Chief Executive Officer*
- Damian Lismore – *Chief Financial Office 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*
- Leigh Farrell – *Vice President, Business Development*
- John Lambert – *Principal Director, Product Development Operations*

Key management personnel of Biota Holdings Limited and the Group

The table below details the remuneration expensed in the income statement and the total remuneration received by the individual. The total remuneration received is the total remuneration reported in the income statement adjusted for the value of those shares expensed but not vested and which are dependent on future performance achievement. Total remuneration received includes shares vested valued at the allocation date.

		Base Salary								
		Salary and fees $	**Superan -nuation $**	**Total $**	**Cash Bonus $**	**Long Service Leave $**	**Value of shares expensed in accounts $**	**Total Remun-eration per accounts $**	**Value of shares expensed & not vested $**	**Total Remun-eration received $**
Non-executive directors										
Jim Fox – *Chair*	2009	39,661	3,570	43,231	-	-	-	43,231		43,231
(appointed 27/2/09)	2008	-	-	-	-	-	-	-		-
John Grant – *Chair*	2009	80,000	-	80,000	-	-	-	80,000		80,000
(resigned 27/2/09)	2008	120,000	-	120,000	-	-	-	120,000		120,000
Paul Bell	2009	67,888	-	67,888	-	-	-	67,888		67,888
	2008	55,046	4,954	60,000	-	-	-	60,000		60,000
Barbara Gibson	2009	28,000	-	28,000	-	-	-	28,000		28,000
(resigned 17/12/08)	2008	66,000	-	66,000	-	-	-	66,000		66,000
Ian Gust	2009	60,000	-	60,000	-	-	-	60,000		60,000
	2008	60,000	-	60,000	-	-	-	60,000		60,000
Richard Hill	2009	34,622	-	34,622	-	-	-	34,622		34,622
(appointed 28/11/08)	2008	-	-	-	-	-	-	-		-
Grant Latta	2009	66,000	-	66,000	-	-	-	66,000		66,000
	2008	66,000	-	66,000	-	-	-	66,000		66,000
Sub-total	2009	376,171	3,570	379,741	-	-	-	379,741		379,741
	2008	367,046	4,954	372,000	-	-	-	372,000		372,000
Executive director										
Peter Cook	2009	449,445	29,670	479,115	212,727	-	99,261	791,103	41,277	832,380
	2008	418,433	37,717	456,150	127,400	-	249,455	833,005	(92,935)	740,070
Other key management personnel										
Damian Lismore	2009	251,193	22,607	273,800	83,016	-	56,904	413,720	15,527	429,247
	2008	219,556	47,250	266,806	110,500	-	148,051	525,357	(44,172)	481,185
Sub-total of directors & key management parent entity										
	2009	1,076,809	55,847	1,132,656	295,743	-	156,165	1,584,564	56,804	1,641,368
	2008	1,005,035	89,921	1,094,956	237,900	-	397,506	1,730,362	(137,107)	1,593,255
Other key management personnel of the Group										
Simon Tucker	2009	217,431	19,569	237,000	75,650	8,377	51,767	372,794	15,958	388,752
	2008	206,423	18,577	225,000	99,849	6,566	135,978	467,393	(40,456)	426,937
Jane Ryan	2009	217,431	19,569	237,000	71,858	8,332	47,845	365,035	12,036	377,071
	2008	206,423	18,577	225,000	95,363	6,404	125,329	452,096	(35,415)	416,681
Leigh Farrell	2009	217,431	19,569	237,000	68,066	-	49,877	354,943	14,069	369,011
	2008	206,423	18,577	225,000	96,095	-	115,444	436,539	(53,429)	383,110
John Lambert	2009	193,578	17,422	211,000	61,021	9,382	35,956	317,359	4,104	321,463
	2008	182,721	16,446	199,167	87,825	-	81,782	368,774	(34,769)	334,006
Total	**2009**	1,922,680	131,976	2,054,656	572,338	26,091	341,610	2,994,695	102,970	3,097,665
	2008	1,807,025	162,098	1,969,123	617,032	12,970	856,039	3,455,164	(301,175)	3,153,989

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".

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk – Cash		At risk – Equity	
	2009	2008	2009	2008	2009	2008
Executive director of Biota Holdings Limited						
Peter Cook	57%	62%	26%	17%	17%	21%
Other key management personnel of Group						
Damian Lismore	64%	55%	19%	23%	17%	22%
Simon Tucker	61%	53%	19%	23%	17%	22%
Jane Ryan	63%	54%	19%	23%	16%	22%
Leigh Farrell	64%	59%	18%	25%	17%	16%
John Lambert	66%	60%	19%	26%	12%	14%

C Service agreements

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 confidential information to ensure that inventions and discoveries of an executive become the property of the Company;
- Non competition during employment and in some cases for a suitable post employment period; and
- Termination by the Company with six months notice or payment of six months remuneration. In the case of the Managing Director the termination notice period is extended to twelve months if the termination is a consequence of an acquisition or merger. Executives can terminate their agreement with three months notice, while the Managing Director is required to provide six months notice to the Company.

D Valuation of shares

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

The following tables identify the value ascribed to past allocations of shares that have vested in the past, 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.

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

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

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

The value used for each TSR equity incentive share was that determined by Ernst and 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.

Shares vested and included in remuneration

The number and price of shares which vested during the year (and for comparison last year) to each director of Biota Holdings Limited and other key management personnel of the Group are set out below.

Name	Date of exercise	Amount paid per share	Number of ordinary shares issued	
			2009	2008
Damian Lismore	16 July 2008	$1.21 & $1.86	68,369	
	1 August 2007	$1.21 & $1.44		56,660
Simon Tucker	11 July 2008	$1.21 & $1.86	62,359	
	1 August 2007	$0.42 & 1.21		114,444
Jane Ryan	1 August 2007	$0.42 & 1.21		117,450
Leigh Farrell	11 July 2008	$1.21 & $1.86	35,759	
	1 August 2007	$1.21		6,918
John Lambert	11 July 2008	$1.21 & $1.86	29,928	
	1 August 2007	$0.42, $1.21 & $1.71		50,838

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

Shares allocated and vested in the year

The number of ordinary shares allocated in the company provided as remuneration to each director and key management personnel of the Group are set out below. Further information is set out in note 24 of the financial statements.

Name	Number of shares allocated during the year		Number of shares vested during the year	
	2009	2008	2009	2008
Executive director of Biota Holdings Limited				
Peter Cook	456,300	641,258	76,229	96,786
Other key management personnel of Group				
Damian Lismore	195,572	287,944	39,229	68,369
Simon Tucker	169,286	254,605	36,660	62,359
Jane Ryan	169,286	246,171	32,443	59,989
Leigh Farrell	169,286	250,540	34,628	35,759
John Lambert	150,715	204,661	21,759	29,928

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 which are summarised as follows:

Cash incentive

Key performance indicators (KPIs) are formally established at the commencement of each year by the Board. 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 derived from the commercial and strategic objectives of the Company and consequently are not disclosed in advance.

Specific examples of KPIs achieved over the recent years include commercial contracts with Daiichi Sankyo (March 2009), AstraZeneca (August 2008), Boehringer Ingelheim (November 2006) and MedImmune Inc. (December 2005). Financial targets have included capital raisings and measures of profit, revenue and cash, annually. Preclinical and clinical milestones are further examples and these are regularly announced to the market.

The cash incentive is capped and executives may earn up to 40% (or 60% in the case of the Managing Director) of their total fixed remuneration, if all KPIs are achieved in the year.

Equity incentive

The Board considers that a significant portion of an executive's remuneration should be specifically aligned to Total Shareholder Return (TSR). The equity incentive is capped and executives may earn up to 80% of their fixed remuneration in an environment of high shareholder returns.

Both absolute and relative shareholder return measures are set annually in advance and advised to the market (see Section A part b table 1). Assuming the targets are achieved the shares vest at the end of 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 absolute and relative equity incentives use the market determined share price as the measure of total shareholder return and must be directly linked to the company performance.

The current remuneration structure has been in place since the beginning of FY 2008. The table below summarises key management personnel remuneration and the performance of the Group from that point. As can be seen from the table the movement in Total Remuneration Received is aligned with TSR growth, although generally with a time lag.

Year	**Change in TFR**		**Change in Total Remuneration Received**		**Share Price**	**TSR growth**
	$	%	$	%		
2007					$1.86	
2008	152,118	10.0%	627,551	29.1%	$0.77	-58%
2009	77,792	4.9%	(64,063)	-2.3%	$1.195	55%
2010	Nil	Nil	-	-	-	-

Remuneration: cash bonuses and options

The following table provides the percentage of the available cash bonus or option allocation that was paid, or that 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.

	Cash bonus		**Options**				
Name	**Paid %**	**Forfeited %**	**Year granted**	**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	74	26	2009	-	2012	Nil	
			2008	-	2011	Nil	456,300
			2007	3	2008-2010	Nil	504,400
			2007	100	2009	Nil	Nil
Damian Lismore	76	24	2009	-	2012	Nil	
			2008	-	2011	Nil	195,572
			2007	3	2008-2010	Nil	216,172
			2007	100	2009	Nil	Nil
Simon Tucker	80	20	2009	-	2012	Nil	
			2008	-	2011	Nil	169,286
			2007	3	2008-2010	Nil	187,071
			2007	100	2009	Nil	Nil
Jane Ryan	76	24	2009	-	2012	Nil	
			2008	-	2011	Nil	169,286
			2007	3	2008-2010	Nil	187,071
			2007	100	2009	Nil	Nil
Leigh Farrell	72	28	2009	-	2012	Nil	
			2008	-	2011	Nil	169,286
			2007	3	2008-2010	Nil	187,071
			2007	100	2009	Nil	Nil
John Lambert	72	28	2009	-	2012	Nil	
			2008	-	2011	Nil	150,715
			2007	3	2008-2010	Nil	166,286
			2007	100	2009	Nil	Nil

The following table 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.

	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	12	71,483	-	-
Damian Lismore	13	30,619	50,251	-
Simon Tucker	13	26,503	45,834	-
Jane Ryan	12	26,503	-	-
Leigh Farrell	13	26,503	26,283	-
John Lambert	11	23,596	21,997	-

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Auditor's Independence Declaration

As lead auditor for the audit of Biota Holdings Limited for the year ended 30 June 2009, 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

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
18 August 2009

FINANCIAL REPORT

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Revenues from continuing operations	5	60,558	39,295	2,648	3,182
Other income	6	22,776	5,694	20,000	-
Expenses:					
Research and development	7	(13,348)	(10,287)	-	-
Product development		(11,300)	(15,265)	-	-
Business development		(982)	(1,003)	-	-
Sub-royalty	7	(4,222)	(1,936)	-	-
Corporate - head office		(4,301)	(3,817)	(2,123)	12,734
Corporate - litigation	7	(7,244)	(21,824)	(7,244)	(21,824)
Finance cost	7	(120)	(166)	(135)	(29)
Profit/(loss) before income tax		41,817	(9,309)	13,146	(5,937)
Income tax (expense)/credit	8	(3,636)	2,820	(1,779)	612
Profit/(loss) for the year		38,181	(6,489)	11,367	(5,325)
Profit/(loss) attributable to members of Biota Holdings Limited		38,181	(6,489)	11,367	(5,325)

	Notes	Consolidated 2009	Consolidated 2008
Earnings/(loss) per share from continuing operations attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic (loss)/earnings per share	32	21.7	(3.5)
Diluted (loss)/earnings per share	32	21.6	(3.5)
Earnings/(loss) per share attributable to the ordinary equity holders of the company:		**Cents**	**Cents**
Basic earnings/(loss) per share	32	21.7	(3.5)
Diluted earnings/(loss) per share	32	21.6	(3.5)

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

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	86,704	60,164	28,401	25,191
Trade and other receivables	10	8,067	4,270	436	721
Total current assets		94,771	64,434	28,837	25,912
Non-current assets					
Receivables	11	-	-	-	-
Property, plant and equipment	12	6,924	7,543	326	411
Deferred tax assets	13	1,532	5,168	1,527	3,306
Intangible assets	14	8,402	12,113	32	54
Total non-current assets		16,858	24,824	1,885	3,771
Total assets		111,629	89,258	30,722	29,683
LIABILITIES					
Current liabilities					
Trade and other payables	15	5,631	12,155	472	6,477
Deferred revenue	16	5,262	6,059	-	-
Provisions	17	1,561	1,122	452	328
Total current liabilities		12,454	19,336	924	6,805
Non-current liabilities					
Provisions	19	2,143	6,622	6	4
Total non-current liabilities		2,143	6,622	6	4
Total liabilities		14,597	25,958	930	6,809
Net assets		97,032	63,300	29,792	22,874
EQUITY					
Contributed equity	20	154,576	159,124	154,576	159,124
Reserves	21a	1,536	1,437	1,536	1,437
Accumulated losses	21b	(59,080)	(97,261)	(126,320)	(137,687)
Total equity		97,032	63,300	29,792	22,874

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

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Total equity at the beginning of the financial year		63,300	71,535	22,874	29,945
Net income recognised directly in equity					
Profit/(loss) for the year		38,181	(6,489)	11,367	(5,325)
Total recognised income and expense for the year		38,181	(6,489)	11,367	(5,325)
Total recognised income and expense for the year is attributable to:					
Members of Biota Holdings Limited		38,181	(6,489)	11,367	(5,325)
Contributions of equity		-	6	-	6
Employee share options	21a	695	1,276	695	1,276
Treasury shares	20a	(200)	-	(200)	-
Share buy-back	20e	(4,932)	(3,020)	(4,932)	(3,020)
Transaction costs	20e	(12)	(8)	(12)	(8)
Total equity at the end of the financial year		97,032	63,300	29,792	22,874

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

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
		Inflows / (outflows)		Inflows / (outflows)	
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		55,800	42,061	4	43
Payments to suppliers and employees (inclusive of GST)		(50,340)	(43,899)	(16,319)	(16,215)
Other revenue (upfront or milestone payments)		4,209	3,419	-	-
Other revenue (litigation settlement)		20,000	-	20,000	-
Interest received		2,810	3,234	2,518	3,154
Net cash inflow/(outflow) from operating activities	31	32,479	4,815	6,203	(13,018)
Cash flows from investing activities					
Loans from related parties		-	-	2,172	16,602
Payments for plant, equipment and intangibles	12, 14	(798)	(3,785)	(21)	(343)
Proceeds from sale of plant & equipment		3	-	-	-
Net cash (outflow)/inflow from investing activities		(795)	(3,785)	2,151	16,259
Cash flows from financing activities					
Proceeds from issue of shares		-	6	-	6
Share issue and buy-back transaction costs	20e	(12)	(8)	(12)	(8)
Payments for Treasury shares	20a	(200)	-	(200)	-
Payments for shares bought back and cancelled	20e	(4,932)	(3,020)	(4,932)	(3,020)
Net cash (outflow) from financing activities		(5,144)	(3,022)	(5,144)	(3,022)
Net increase/(decrease) in cash and cash equivalents		26,540	(1,992)	3,210	219
Cash and cash equivalents at the start of the year		60,164	62,156	25,191	24,972
Cash and cash equivalents at the end of the year	9	86,704	60,164	28,401	25,191

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 financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Biota Holdings Limited as an individual entity and 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, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated and parent entity financial statements and notes of Biota Holdings Limited comply with International Financial Reporting Standards (IFRS).

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 AIFRS 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 2009 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.

Minority 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 formed 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

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 equity.

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 revenue

Research revenue is recognised on the following basis:

(a) On achieving "milestones" relating to a research project; and

(b) Over the term of the project or when related to a re-imbursement of expenditure or payment for services.

(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 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.

(g) Income tax (continued)

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 purchase 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. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than
the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(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 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 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 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 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 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 equity 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 equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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 equity 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 equity 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 equity. 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 1 to 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.

(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 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 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 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 when the employees become entitled to the shares.

(v) 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.

(vi) 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 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 entity 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) 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,
- 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,
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potential ordinary shares.

(w) 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.

(x) 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.

(y) 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.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will not result in a significant change in the approach to reporting on financial performance. The information being reported will continue to be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted- will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group has not incurred any such borrowing costs.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101(effective from 1 January 2009)

The September revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127(effective from 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate shaere of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(i) above.

(z) New accounting standards and interpretations (continued)

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Under the Group's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently re-valued to fair value; however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. The new standard is not expected to have a material impact on the Group's financial statements.

(vii) AASB 2009-2 Amendment to Australian Accounting Standards – Improving Disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009)

In April 2009, the AASB published amendments to AASB 7 Financial Instruments: Disclosure to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified an enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group will apply the amendments from 1 July 2009. The new standard will not affect any of the amounts recognised in the financial statements.

(viii) AASB 2008-5 Amendment to Australian Accounting Standards – arising from the Annual Improvements Project (effective 1 January 2009)

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(ix) AASB 2008-6 Further Amendment to Australian Accounting Standards – arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(x) AASB 2008-7 Amendment to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value

(xi) AASB 2009-4 Amendment to Australian Accounting Standards – arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 July 2009)

The AASB has made amendments to AASB 2 Share-based payment, AASB 138 Intangible Assets and AASB Interpretations 9 Reassessment of Embedded Derivatives and 16 Hedges of a Net Investment in a Foreign Operation as a result to the IASB's annual improvements project. The Group will apply the amendments from 1 July 2009. The Group does not expect that any adjustments will be necessary as a result of applying the revised rules.

(xii) AASB 2009-5 Further Amendment to Australian Accounting Standards – arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)

In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2010. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

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		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	86,704	60,164	28,401	25,191
Trade and other receivables	8,067	4,270	436	721
	94,771	64,434	28,837	25,912
Financial liabilities				
Trade and other payables	5,631	12,155	472	6,477
	5,631	12,155	472	6,477

Major risks and the mitigation processes are outlined below:

(a) Market risk

(i) Foreign exchange risk

The Group and the parent entity operates internationally and are exposed to foreign exchange risk arising from various currency exposures, principally to the US dollar.

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 are used to manage foreign exchange risk.

The Treasury Management Committee is responsible for managing exposures in each foreign currency by using external forward currency contracts. 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 2009	**30 June 2008**
	USD	**USD**
Cash	950,155	NIL
Trade receivables	NIL	725,594

The carrying amounts of the financial assets and liabilities are denominated in Australian dollars.

Sensitivity

Based on the financial instruments held at 30 June 2009 the groups foreign exchange exposure is not material.

(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 2009 the profit after tax impacts for changes in interest rates would be:

	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Interest rates				
+/- 50 basis points	280	160	194	130
+/- 100 basis points	564	321	391	260

(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, 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 expenses 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 AA+. The Group has policies that limit the amount of credit exposure to any one financial institution and in the last financial year ensured that a significant portion of cash balances were maintained in accounts covered by an Australian Federal Government Guarantee. The following table sets out the cash deposits summary, and an analysis of trade receivables by customer type.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank and short-term bank deposits				
AA/A-1+	78,704	60,163	22,401	25,191
A/A-1+	5,000	-	5,000	-
BBB+/A-2	3,000	-	1,000	-
	86,704	60,163	28,401	25,191
Trade receivables				
New customers (less than 6 months)	-	-	-	-
Existing customers (more than 6 months) with no defaults in the past	7,583	3,986	-	-
Total trade receivables	7,583	3,986	-	-

During the year cash at bank and short term bank deposits were placed with institutions whereby approximately 60% of cash holdings were secured by the Australian Federal Government Guarantee.

(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.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNT 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 predominantly expenses all research and development 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 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.

(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) Recoverability of deferred tax assets

As disclosed in notes 8 and 13, the Group has brought to account $1,380,000 in relation to recoverable tax losses.

In determining the amount to be recognised, 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 and that the majority of available losses are transferred (see note 8) management has concluded that the "convincing evidence" requirements of the standard are met for future taxable income of $4,600,000 ($1,380,000 net) to arise in the next 12 months. Should actual taxable income be different to this estimate, so too will the amount of tax losses utilised.

4 SEGMENT INFORMATION

The Group has one business segment, being drug discovery and clinical development of antivirals. The Group operates predominantly in one geographical segment being Australia.

5 REVENUE

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
From continuing operations				
Royalty income	45,000	20,544	-	-
Diagnostic profit share	-	287	-	-
Collaboration income				
- Partnering revenue	4,426	2,452	-	-
- Research revenue	8,190	9,348	-	-
- Milestone revenue	-	3,419	-	-
	57,616	36,050	-	-
Other revenue				
Interest revenue	2,935	3,202	2,644	3,139
Other revenue	7	43	4	43
Revenue from continuing operations	60,558	39,295	2,648	3,182

6 OTHER INCOME

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Grants-Other Governments (note a)	2,776	5,694	-	-
Litigation settlement (note b)	20,000	-	20,000	-
Total Other Income	22,776	5,694	20,000	-

(a) Grants - Other Governments

The National Institutes of Health (NIH) has awarded the Group US$14.1 million to complete research and development of the LANI programs, including three Phase I studies. Amounts of $2.8 million (2008:$5.7m) have been recognised as other income by the Group during the financial year. There are no unfulfilled conditions or other contingencies related to this portion of the grant.

(b) Litigation settlement

The litigation against GSK was concluded in July 2008, following mediation. The agreement provided for a payment to Biota of $20 million, and the normalisation of commercial relations.

7 EXPENSES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(loss) before income tax includes the following specific expenses:				
Depreciation				
- Plant and equipment	613	448	98	103
- Leasehold improvements	571	485	6	4
Total depreciation	1,184	933	104	107
Amortisation of computer software	225	113	23	14
(Gain)/Loss on disposal of plant and equipment	9	5	-	-
Rental expense relating to operating leases				
- Minimum lease payments	572	449	10	10
- Sub-leases	114	85	113	85
Total rental expense relating to operating leases	686	534	123	95
Employee benefits expense	8,916	8,621	2,395	2,505
Superannuation expense	826	751	191	134
Research and development expenses	13,348	10,287	-	-
Litigation costs	7,244	21,824	7,244	21,824
Finance costs				
- NIH interest repayment	-	122	-	-
- Net foreign exchange loss	120	44	135	29
Total finance costs	120	166	135	29
Sub-royalty expense				
- Amortisation of royalty prepayment	3,706	1,681	-	-
- Change in present value of contingent consideration	516	255	-	-
Total sub-royalty expense	4,222	1,936	-	-

8 INCOME TAX

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Income tax (expense)/credit				
Current tax	-	-	-	-
Deferred tax	(3,636)	2,820	(1,779)	612
	(3,636)	2,820	(1,779)	612
Income tax expense is attributable to:				
Profit from continuing operations	(3,636)	2,820	(1,779)	612
Aggregate income tax (expense)/credit	(3,636)	2,820	(1,779)	612
Deferred income tax (expense) revenue included in income tax comprises:				
Increase/(Decrease) in deferred tax assets (note 13)	(3,636)	2,820	(1,779)	612
	(3,636)	2,820	(1,779)	612
(b) Numerical reconciliation of income tax expense to prima facie tax				
Profit/(loss) from continuing operations before income tax expense	41,818	(9,309)	13,146	(5,937)
Tax at the Australian tax rate of 30%	(12,545)	2,793	(3,944)	1,781
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	(209)	(383)	(62)	(136)
Non-assessable loan recovered	-	-	652	4,981
Non-taxable amortisation	(516)	(79)	-	-
Net research and development claim	1,774	1,445	-	-
Sundry items	(187)	(137)	2	(18)
	(11,683)	3,639	(3,352)	6,608
Adjustments for current tax of prior periods	-	799	-	265
Tax losses no longer assessed as recoverable	-	(1,618)	-	(1,618)
Current year tax loss not recognised	-	-	-	(4,643)
Previously unrecognised tax losses now assessed as recoverable	8,047	-	1,573	-
Income tax (expense)/credit	(3,636)	2,820	(1,779)	612
(c) Unrecognised temporary differences and tax losses				
Capital tax losses	-	15,445	-	-
Group tax losses	3,217	16,368	3,217	10,607
Transferred tax losses	31,813	31,813	31,813	31,813
	35,030	61,785	35,030	42,420
Tax effect of unrecognised temporary differences and tax losses for which no deferred tax asset has been recognised	10,509	18,536	10,509	12,726

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2009 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) sets out the estimation of the amount of tax losses brought to account.

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 55.4% basis, ie for every dollar of taxable income only 55.4c 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).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Biota Holdings Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Biota Holdings Limited for any current tax payable assumed and are compensated by Biota Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Biota Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash				
Cash at bank and on hand	52,704	37,493	2,401	2,521
Deposits at call	34,000	22,671	26,000	22,670
	86,704	60,164	28,401	25,191

Cash balances include $4.6 million (2008: $4.6m) in respect of advance payments by the National Institutes of Health to progress the LANI 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	86,704	60,164	28,401	25,191

(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		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade receivables	7,583	3,986	-	-
Other receivables	58	-	81	537
Deposits paid	1	6	1	6
Accrued interest	215	90	215	90
Prepayments	210	188	139	88
	8,067	4,270	436	721

(a) Impaired trade receivables

There were no impaired trade receivables for the Group in 2009 (2008: 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 – RECEIVABLES

	Parent entity	
	2009 $'000	2008 $'000
Loans to related entities	68,317	70,490
Provision for doubtful debts	(68,317)	(70,490)
	-	-

(a) Impaired receivables and receivables past due

Full provision is made for loans to related entities.

(b) Fair values

The fair values and carrying values of non-current receivables of the Parent entity are zero as they are unlikely to be recovered. These balances eliminate on consolidation so there is no Group impact.

(c) Risk exposure

There is no risk to the Group and the risk to the parent entity is fully provided.

12 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	**Plant & equipment $'000**	**Leasehold improvements $'000**	**Total $'000**
At 1 July 2007			
Cost	4,871	5,026	9,897
Accumulated depreciation	(3,447)	(1,298)	(4,745)
Net book amount	1,424	3,728	5,152
Year ended 30 June 2008			
Opening net book amount	1,424	3,728	5,152
Reclassification to intangible assets (note 14)	(297)	-	(297)
Additions	2,098	1,523	3,621
Disposals	-	-	-
Depreciation charge	(448)	(485)	(933)
Closing net book amount	2,777	4,766	7,543
At 30 June 2008			
Cost	8,151	6,550	14,701
Accumulated depreciation	(5,374)	(1,784)	(7,158)
Net book amount	2,777	4,766	7,543
Year ended 30 June 2009			
Opening net book amount	2,777	4,766	7,543
Additions	558	21	579
Disposals	(12)	(2)	(14)
Depreciation charge	(613)	(571)	(1,184)
Closing net book amount	2,710	4,214	6,924
At 30 June 2009			
Cost	5,241	6,474	11,715
Accumulated depreciation	(2,531)	(2,260)	(4,791)
Net book amount	2,710	4,214	6,924

Parent entity	**Plant & equipment $'000**	**Leasehold improvements $'000**	**Total $'000**
At 1 July 2007			
Cost	660	-	660
Accumulated depreciation	(415)	-	(415)
Net book amount	245	-	245
Year ended 30 June 2008			
Opening net book amount	245	-	245
Reclassification to intangible assets (note 14)	(20)	-	(20)
Additions	254	39	293
Disposals	-	-	-
Depreciation charge	(103)	(4)	(107)
Closing net book amount	376	35	411
At 30 June 2008			
Cost	806	133	939
Accumulated depreciation	(430)	(98)	(528)
Net book amount	376	35	411
Year ended 30 June 2009			
Opening net book amount	376	35	411
Additions	24	2	26
Disposals	(6)	-	(6)
Depreciation charge	(98)	(6)	(104)
Closing net book amount	296	31	327
At 30 June 2009			
Cost	551	40	591
Accumulated depreciation	(255)	(10)	(265)
Net book amount	296	30	326

13 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Tax losses anticipated to be utilised within 12 months	1,380	1,380	1,380	1,380
Unrealised Foreign exchange losses	40	-	40	-
Employee benefits	490	356	138	100
Property plant & equipment	-	-	-	-
Accruals	134	1,904	49	1,859
Deferred revenue	1,579	1,803	-	-
Total deferred tax assets	3,623	5,443	1,607	3,339
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(2,091)	(275)	(80)	(33)
Net deferred tax assets	1,532	5,168	1,527	3,306

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

14 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Computer software $'000	Royalty prepayment $'000	Total $'000
At 1 July 2007			
Cost	-	13,764	13,764
Accumulated amortisation and impairment	-	(317)	(317)
Net book amount	-	13,447	13,447
Year ended 30 June 2008			
Opening net book amount	-	13,447	13,447
Reclassification from property, plant and equipment (note 12)	297	-	297
Additions	165	(2)	163
Amortisation charge	(113)	(1,681)	(1,794)
Closing net book amount	349	11,764	12,113
As at 30 June 2008			
Cost	1,284	13,762	15,046
Accumulated amortisation	(935)	(1,998)	(2,933)
Net book amount	349	11,764	12,113
Year ended 30 June 2009			
Opening net book amount	349	11,764	12,113
Additions	233	-	233
Write off	(13)	-	(13)
Amortisation charge	(225)	(3,706)	(3,931)
Closing net book amount	344	8,058	8,402
At 30 June 2009			
Cost	1,504	13,762	15,266
Accumulated amortisation	(1,160)	(5,704)	(6,864)
Net book amount	344	8,058	8,402

Parent entity	Computer software $'000	Royalty prepayment $'000	Total $'000
At 1 July 2007			
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Net book amount	-	-	-
Year ended 30 June 2008			
Opening net book amount	-	-	-
Reclassification from property, plant and equipment (note 12)	20	-	20
Additions	49	-	49
Amortisation charge	(15)	-	(15)
Closing net book amount	54	-	54
As at 30 June 2008			
Cost	156	-	156
Accumulated amortisation	(102)	-	(102)
Net book amount	54	-	54
Year ended 30 June 2009			
Opening net book amount	54	-	54
Additions	1	-	1
Write off	(12)	-	(12)
Amortisation charge	(11)	-	(11)
Closing net book amount	32	-	32
At 30 June 2009			
Cost	145	-	145
Accumulated amortisation	(113)	-	(113)
Net book amount	32	-	32

15 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current (unsecured)				
Trade payables	4,285	2,893	37	19
Other payables	1,346	9,262	435	6,458
	5,631	12,155	472	6,477

(a) Risk exposures

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

16 CURRENT LIABILITIES – DEFERRED REVENUE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred revenue	5,262	6,059	-	-

Deferred revenue represents:

(i) Amounts received in advance from government grant authorities which will be released to revenue as expenses occur; and

(ii) Upfront receipts from collaborations which will be released to profit over the research collaboration term.

Deferred revenue includes $4.6 million (2008: $4.6m) in respect of advance payments by the National Institutes of Health to progress the LANI programs.

17 CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee benefits	1,561	1,122	452	328

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Long service leave obligation expected to be settled after 12 months	210	142	-	-

18 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Property, plant & equipment	182	116	16	5
Prepayments	-	1	-	1
Accrued income	1,909	158	64	27
	2,091	275	80	33
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	(2,091)	(275)	(80)	(33)
Net deferred tax liabilities	-	-	-	-

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

19 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee benefits – long service leave	71	66	6	4
Contingent consideration (note a)	2,072	6,556	-	-
	2,143	6,622	6	4

(a) Contingent consideration

The Group entered into arrangements in 2007 where the parties agreed to exchange variable royalty payments for use of intellectual property, for a fixed fee. The transaction also offers the third parties the opportunity of earning additional payments should Relenza sales exceed specified amounts. Provision has been made for these payments on a present value basis consistent with the Group accounting policy at note 1(r).

(b) Movements in provisions

	Consolidated 2009 $'000	Consolidated 2008 $'000
Employee benefits		
At start of year	66	38
Charged to the income statement	5	28
At end of year	71	66
Contingent consideration		
At start of year	6,556	6,301
Provision raised on acquisition of assets	-	-
Payment of contingent consideration due to CSIRO	(5,000)	-
Interest expense on unwinding of discount	516	255
At end of year	2,072	6,556

20 CONTRIBUTED EQUITY

(a) Share capital	Notes	Consolidated and Parent entity 2009 Shares '000	Consolidated and Parent entity 2008 Shares '000	Consolidated and Parent entity 2009 $'000	Consolidated and Parent entity 2008 $'000
Ordinary shares					
Fully paid	(b) (c)	174,564	180,818	154,776	159,124
Treasury shares	(f)			(200)	-
Total consolidated contributed equity				154,576	159,124

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2007	Opening balance	182,711,348		161,671
1 August 2007	Exercise of options	613,350	$0.42-$1.21	448
30 August 2007	Exercise of options	10,000	$0.58	6
7 April 2008	Cancellation of shares	(417,050)	$1.23	(511)
7 April 2008	Transaction costs	-	-	(1)
15 May 2008	Cancellation of shares	(1,909,175)	$1.21	(2,296)
15 May 2008	Transaction costs	-	-	(6)
30 May 2008	Cancellation of shares	(211,000)	$1.01	(213)
30 May 2008	Transaction costs	-	-	(1)
30 June 2008	Exercise of options	20,350	$1.08-$1.86	27
30 June 2008	Balance	180,817,823		159,124
16 July 2008	Exercise of options	375,685	$1.21 - $1.86	596
30 September 2008	Cancellation of shares	(6,629,509)	$0.75	(4,932)
30 September 2008	Transaction costs	-	-	(12)
30 June 2009	Balance	174,563,999		154,776

(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 note 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 vote, and upon a poll each share is entitled to one vote.

(e) Share buy-back

During the year the company purchased 6,629,509 shares on-market as part of Biota's capital management strategy. The shares were acquired at an average price of $0.75, with prices ranging from $0.63 to $0.79. The total cost of $4,944,000 including $12,000 of transaction costs, was deducted from ordinary share capital when the shares were cancelled. There is no current on-market buy-back.

(f) 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 456,300 (2008:Nil) shares were acquired at a cost of $200,000 (2008:Nil).

(g) 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.

21 RESERVES AND ACCUMULATED LOSSES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(a) Reserves				
Share-based payments reserve				
Balance 1 July	1,437	636	1,437	636
Equity retention incentive expense for the year	536	1,062	536	1,062
TSR equity incentive expense for the year	159	214	159	214
Transfer to share capital (options exercised)	(596)	(475)	(596)	(475)
Balance 30 June	1,536	1,437	1,536	1,437
(b) Accumulated losses				
Balance 1 July	(97,261)	(90,772)	(137,687)	(132,362)
Net profit/(loss) attributable to the members of Biota Holdings Limited	38,181	(6,489)	11,367	(5,325)
Balance 30 June	(59,080)	(97,261)	(126,320)	(137,687)

(c) Nature and purpose of reserves

Share-based payment reserve

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;
- In the group – the issue of shares held by the Biota Holdings Employee Share Trust to employees; and
- In the parent entity – the fair value of shares and options issued to employees of subsidiaries and the funding of share purchases by the Biota Holdings Employee Share Trust.

22 DIVIDENDS

The company has announced its intention to return $20m to shareholders. The record date for payment is 19 November 2009 with a payment date of 3 December 2009.

Biota and its advisor, Deloitte, have sought a Class Ruling for shareholders from the Australian Taxation Office (ATO) in relation to whether the taxation treatment associated with this payment, in whole or part, may be treated as a return of capital. To the extent that the ATO contends that any part of the payment is not a capital return it will be considered an unfranked dividend.

Based on the current number of shares on issue, the cash payment is estimated to equate to approximately 11 cents per share.

Neither the Company nor any of its controlled entities paid any dividends during the current or previous year and there is no dividend proposed to be paid in relation to the year ended 30 June 2009 (2008: Nil). 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 2009, are $494,366 (2008: $494,366).

23 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Short-term employee benefits	2,495,018	2,424,057	1,372,552	1,242,935
Post-employment benefits	131,976	162,093	55,847	89,921
Long-term benefits	26,091	12,970	-	-
Share-based payments	341,610	856,039	156,165	397,506
	2,994,695	3,455,164	1,584,564	1,730,362

(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

		NEDSOP & Equity retention incentive shares						TSR Equity incentive shares				
		Balance at the start of the year or on appointment	**Allocated during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at the end of the year or on resignation**	**Number vested at end of year**	**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**
Non-executive directors												
Barbara Gibson	2009	75,050	-	-	(75,050)	-	-	-	-	-	-	-
(resigned 17/12/08)	2008	75,050	-	-	-	75,050	-	-	-	-	-	-
Executive directors												
Peter Cook	2009	193,572	-	-	-	193,572	193,572	520,000	456,300	-	976,300	15,600
	2008	72,314	121,258	-	-	193,572	132,943	-	520,000	-	520,000	-
Other key management personnel												
Damian Lismore	2009	100,912	-	(68,369)	-	32,543	32,543	22,858	195,572	-	418,430	6,686
	2008	92,486	65,086	(56,660)	-	100,912	68,369	-	222,858	-	222,858	-
Other key management personnel of the Group												
Simon Tucker	2009	93,232	-	(62,359)	-	30,873	30,873	192,858	169,286	-	362,144	5,787
	2008	145,929	61,747	(114,444)	-	93,232	62,359	-	192,858	-	192,858	-
Jane Ryan	2009	86,645	-	-	-	86,645	86,645	192,858	169,286	-	362,144	5,787
	2008	150,782	53,313	(117,450)	-	86,645	59,989	-	192,858	-	192,858	-
Leigh Farrell	2009	64,600	-	(35,759)	-	28,841	28,841	192,858	169,286	-	362,144	5,787
	2008	13,836	57,682	(6,918)	-	64,600	35,759	-	192,858	-	192,858	-
John Lambert	2009	46,543	-	(29,928)	-	16,615	16,615	171,430	150,715	-	322,145	5,144
	2008	64,150	33,231	(50,838)	-	46,543	29,928	-	171,430	-	171,430	-
Total	**2009**	**660,554**	**-**	**(196,415)**	**(75,050)**	**389,091**	**389,091**	**1,492,862**	**1,310,445**	**-**	**2,803,307**	**44,791**
	2008	**614,547**	**392,317**	**(346,310)**	**-**	**660,554**	**389,347**	**-**	**1,492,862**	**-**	**1,492,862**	**-**

(iii) 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						
Jim Fox – *Chair*	2009	-	110,000	-	-	110,000
(appointed 27/2/09)	2008	-	-	-	-	-
John Grant – *Chair*	2009	807,551	-	-	-	807,551
(resigned 27/2/09)	2008	607,551	200,000	-	-	807,551
Paul Bell	2009	50,000	-	-	-	50,000
	2008	50,000	-	-	-	50,000
Barbara Gibson	2009	90,820	-	-	-	90,820
(resigned 17/12/08)	2008	90,820	-	-	-	90,820
Ian Gust	2009	408,036	50,000	-	-	458,036
	2008	269,536	138,500	-	-	408,036
Richard Hill	2009	-	-	-	-	-
(appointed 28/11/08)	2008	-	-	-	-	-
Grant Latta	2009	160,000	-	-	-	160,000
	2008	160,000	-	-	-	160,000
Executive directors						
Peter Cook	2009	141,200	-	-	-	141,200
	2008	141,200	-	-	-	141,200
Other key management personnel						
Damian Lismore	2009	146,894	-	68,369	-	215,263
	2008	57,834	32,400	56,660	-	146,894
Other key management personnel of the Group						
Simon Tucker	2009	364,954	-	62,359	-	427,313
	2008	356,467	-	114,444	(105,957)	364,954
Jane Ryan	2009	480,968	-	-	-	480,968
	2008	335,478	28,040	117,450	-	480,968
Leigh Farrell	2009	20,937	-	35,759	-	56,696
	2008	4,550	9,469	6,918	-	20,937
John Lambert	2009	207,199	-	29,928	-	237,127
	2008	216,361	-	50,838	(60,000)	207,199

(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

All 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 or under Board discretion. Awards under the BEOP are performance rights, either under the Equity Retention Incentive or the TSR Equity programs. 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 F2009 and F2008.

Consolidated and parent entity – 2009

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)
NEDSOP								
6 Dec 2000	6 Dec 2008	$4.44	75,050	-	-	75,050	-	-
Equity retention incentive plan								
21 July 2006	30 June 2011	Nil	191,027	-	157,695	-	33,332	33,332
25 Oct 2006	30 June 2011	Nil	72,314	-	-	-	72,314	72,314
8 Aug 2007	30 June 2012	Nil	493,752	-	217,990	18,516	257,246	257,246
24 Oct 2007	30 June 2012	Nil	121,258	-	-	-	121,258	121,258
22 Aug 2008	30 June 2013	Nil	-	606,864	-	39,631	567,233	283,625
TSR equity incentive plan								
31 Oct 2007	30 June 2012	Nil	972,862	-	-	-	972,862	29,191
21 Dec 2007	30 June 2012	Nil	520,000	-	-	-	520,000	15,600
22 Aug 2008	30 June 2013	Nil	-	1,310,445	-	-	1,310,445	-
Total			**2,446,263**	**1,917,309**	**375,685**	**133,197**	**3,854,690**	**812,566**
Weighted average exercise price			**$1.82**	**$0.82**	**$1.59**	**$2.99**	**$1.31**	**$1.39**

Consolidated and parent entity – 2008

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)
NEDSOP								
6 Dec 2000	6 Dec 2008	$4.44	75,050	-	-	-	75,050	75,050
Equity retention incentive plan								
3 Sept 2002	4 Sept 2007	$0.58	10,000	-	10,000	-	-	-
1 July 2005	30 Jun 2010	Nil	382,759	-	382,759	-	-	-
9 Dec 2005	30 Jun 2010	Nil	20,833	-	20,833	-	-	-
2 Mar 2006	30 Jun 2010	Nil	6,500	-	6,500	-	-	-
21 July 2006	30 June 2011	Nil	406,505	-	206,531	8,947	191,027	191,027
25 Oct 2006	30 June 2011	Nil	72,314	-	-	-	72,314	72,314
8 Aug 2007	30 June 2012	Nil	-	544,055	6,137	44,166	493,752	246,886
24 Oct 2007	30 June 2012	Nil	-	121,258	-	-	121,258	60,629
30 June 2008	30 June 2013	Nil	-	10,940	10,940	-	-	-
TSR equity incentive plan								
31 Oct 2007	30 June 2012	Nil	-	972,862	-	-	972,862	-
21 Dec 2007	30 June 2012	Nil	-	520,000	-	-	520,000	-
Total			**973,961**	**2,169,115**	**643,700**	**53,113**	**2,446,263**	**645,906**
Weighted average exercise price			**$1.15**	**$1.80**	**$0.75**	**$1.75**	**$1.82**	**$1.89**

The weighted average share price at the date of exercise of all options exercised during the year ended 30 June 2009 was $0.75 (2008: $1.69). The weighted average remaining contractual life of share options outstanding at the end of the period was 3.5 years (2008 – 3.8 years).

Fair Value of options granted

The assessed fair value at allocation date of each incentive plan during the year ended 30 June 2009 was:

- Equity retention incentive plan $0.77
- TSR equity incentive plan $0.45

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 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.

(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		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Options issued under Biota employee option plan	695	1,276	695	1,276

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		Parent entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	121,000	118,050	121,000	118,050
Audit of grant returns	30,000	30,000	-	-
Total	151,000	148,050	121,000	118,050

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 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent liabilities or assets to be recognised at 30 June 2009.

27 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 to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- Within one year	529	491	-	-
- Later than one, not later than five years	1,633	2,132	-	-
- Later than five years	-	30	-	-
	2,162	2,653	-	-

(b) Research commitments	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'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	2,805	7,738	-	-
- Later than one year but not later than two years	-	195	-	-
- Later than two years but not later than five years	-	255	-	-
	2,805	8,188	-	-

28 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 29.

(c) Key management personnel

Transactions with key management personnel were solely in relation to remuneration. Disclosures of these amounts are set out in note 23.

(d) Wholly-owned Group

Interest held in the controlled entities is disclosed in note 29. Loans receivable from controlled entities are disclosed in note 11.

Transactions between Biota Holdings Limited and related parties in the wholly-owned Group during the years ended 30 June 2009 and 30 June 2008 consisted of amounts advanced by Biota Holdings Limited. Aggregate amounts receivable from entities in the wholly-owned Group at balance date were:

	Parent entity	
	2009	**2008**
	$	**$**
Non-current receivables (loans)	68,317,682	70,490,229
Provision for doubtful debts	(68,317,682)	(70,490,229)

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

	$	**$**
Loans to subsidiaries		
Beginning of the year	70,490,229	87,092,621
Loan repayments received	(66,725,572)	(47,227,074)
Loans advanced	64,553,025	30,624,682
End of the year	68,317,682	70,490,229

29 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	
			2009	**2008**
			%	**%**
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

***** 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.

30 EVENTS OCCURRING AFTER REPORTING DATE

In July 2009, GSK indicated that production capacity of Relenza will increase to 190 million courses by the end of 2009 following approval of the Relenza Rotahaler as an alternative Relenza treatment in Europe, during a pandemic. The timing of income to Biota will depend on the ability of GSK to secure orders against the increase in production capacity.

In August 2009, Biota announced:

- The long acting neuraminidase inhibitor laninamivir was shown to be effective in Phase III clinical trials in Asia;
- The return of the RSV program to Biota and the intention of Biota to invest approximately $3 million in developing promising back up compounds in F2010; and
- An intention to return $20 million in cash to shareholders.

Apart from the foregoing, no matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

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

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

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

31 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash flow information				
Profit/(loss) for the year	38,181	(6,489)	11,367	(5,325)
Depreciation and amortisation	5,115	2,727	128	122
Provision for doubtful debts	-	-	(2,172)	(16,602)
Loss on disposal of plant and equipment	9	5	-	-
Net exchange difference	-	(2)	-	-
Share based payments	695	1,276	695	1,276
Changes in assets and liabilities				
Decrease/(increase) in trade debtors and other debtors	(3,797)	5,079	285	3,818
Decrease/(increase) in deferred tax asset	3,636	(2,820)	1,779	(612)
Increase/(decrease) in trade creditors and other liabilities	(7,319)	4,731	(6,006)	4,293
Increase/(decrease) in provisions	(4,041)	308	127	12
Net cash inflow/(outflow) from operating activities	32,479	4,815	6,203	(13,018)

32 EARNINGS PER SHARE

	Consolidated	
	2009 Cents	2008 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of company	21.7	(3.5)
From discontinued operations	-	-
Total basic earnings per share attributable to the ordinary equity holders of the company	21.7	(3.5)
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	21.6	(3.5)
From discontinued operations	-	-
Total diluted earnings per share attributable to the ordinary equity holders of the company	21.6	(3.5)

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

	Consolidated	
	2009 $'000	2008 $'000
Net profit/(loss) attributed to the ordinary equity holders of the company used in calculating basic earnings per share	38,181	(6,489)
Net profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	38,181	(6,489)

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

	Consolidated	
	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	176,218,530	182,925,866
Adjustments for calculation of diluted earnings per share:		
Shares allocated	237,723	1,930,080
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	176,456,253	184,855,946

(e) Information concerning the classification of securities

(i) Shares allocated

Shares allocated to directors and 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 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 2009 of the Closed Group consisting of Biota Holdings Limited and Biota Scientific Management Pty Ltd.

	2009 $'000	2008 $'000
Revenues from continuing operations	59,429	36,843
Other income	22,776	5,694
Research and development	(13,347)	(10,287)
Product development	(11,300)	(15,265)
Business development	(982)	(1,003)
Sub-royalty	(4,222)	(1,681)
Corporate - head office	(4,301)	(3,867)
Corporate - litigation	(7,244)	(21,824)
Finance cost	(120)	(421)
Profit/(loss) before income tax	40,689	(11,812)
Income tax (expense)/credit	(3,604)	2,820
Profit/(loss) for the year	37,085	(8,992)

Summary of movements in consolidated retained profits		
Retained loss at the beginning of the financial year	(87,498)	(78,506)
Profit/(loss) for the year	37,085	(8,992)
Retained loss at the end of the financial year	(50,413)	(87,498)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of Biota Holdings Limited and Biota Scientific Management Pty Ltd.

	2009 $'000	2008 $'000
ASSETS		
Current assets		
Cash and cash equivalents	82,599	60,162
Trade and other receivables	8,067	4,270
	90,666	64,432
Non-current assets		
Receivables	12,739	8,743
Property, plant and equipment	6,924	7,543
Deferred tax assets	1,532	5,168
Current tax receivable	32	-
Intangible assets	8,402	12,113
	29,629	33,567
Total assets	120,295	97,999
LIABILITIES		
Current liabilities		
Trade and other payables	5,631	12,155
Deferred revenue	5,262	5,037
Provisions	1,561	1,122
	12,454	18,284
Non-current liabilities		
Provisions	2,143	6,622
	2,143	6,622
Total liabilities	14,597	24,906
Net assets	105,699	73,064
EQUITY		
Contributed equity	154,576	159,124
Reserves	1,536	1,437
Accumulated losses	(50,413)	(87,458)
Total equity	105,699	73,064

In the directors' opinion:

(a) the financial statements and notes set out on pages 25 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 2009 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 23 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 35 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 35.

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	Jim Fox Director

Melbourne
18 August 2009

PRICEWATERHOUSECOOPERS

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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 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Biota Holdings Limited and the Biota Holdings Limited Group (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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

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

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*.

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 company's and consolidated entity's financial position as at 30 June 2009 and of their 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 23 of the directors' report for the year ended 30 June 2009. 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 2009 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nadia Carlin

Nadia Carlin
Partner

Melbourne
18 August 2009

The shareholder information set out below was applicable as at 5 August 2009.

A Unquoted equity securities

Unquoted equity securities	Number on issue	Number of holders
Options issued		
Under the Biota Employee Option Plan	3,854,690	39
Less Treasury shares purchased	(456,300)	
Available as new shares subject to performance criteria	3,398,390	

B Distribution of equity securities

	Holders	Ordinary shares	%
1-1,000	4,722	2,746,322	1.57
1,001-5,000	4,133	11,699,335	6.69
5,001-10,000	2,081	16,149,965	9.23
10,001-100,000	2,158	50,692,768	28.98
100,001 - and over	117	93,658,874	53.53
Totals	13,211	174,947,264	100.00
Less than marketable parcel of 252 securities	1,022	151,647	

C Twenty largest equity security holders

The names of the twenty largest holders of equity securities as at 5 August 2009 are set out below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
Cogent Nominees Pty Limited	23,964,618	13.70
National Nominees Limited	11,255,613	6.43
JP Morgan Nominees Australia Limited	9,284,074	5.31
Arora Constructions Pty Ltd	4,131,500	2.36
Citicorp Nominees Pty Limited	3,888,487	2.22
HSBC Custody Nominees (Australia) Limited	3,619,906	2.07
Asia Union Investment Pty Ltd	1,698,818	0.97
Albeni Superannuation Pty Ltd	1,527,019	0.87
Arora Constructions Pty Ltd	1,361,964	0.78
Mr Graeme McDonald & Mrs Susan McDonald	1,105,506	0.63
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,085,560	0.62
Merrill Lynch (Australia) Nominees Pty Limited	987,740	0.56
Sandhurst Trustees Ltd	800,842	0.46
MF Custodians Ltd	725,000	0.41
Dr Marc Gregory Achen	700,000	0.40
UBS Nominees Pty Ltd	657,091	0.38
Mr Fu Xiang Jiang	543,773	0.31
LJ Thomson Pty Ltd	537,160	0.31
Dr Kevin Anthony Glucina	513,567	0.29
	75,530,335	42.03

D Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
Hunter Hall Investments Management Ltd	21,119,010	12.10

E Voting Rights

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