

First Major Relenza Stockpiling order and Biota Accelerates Preclinical Programs

26 August 2005

Commentary on significant events and the Group Results

Biota Holdings Limited (ASX:BTA) announced its results today for the year ended 30 June 2005.

Significant Events since the previous report

- **Biota Consolidated its Operations and Laboratories** into the newly constructed facilities in Melbourne, Victoria. This included closing down the US laboratories of Biota Inc and relocating the research programs to the Melbourne laboratories. These initiatives have put us in a much stronger position to manage our programs efficiently and direct funding towards clinical development stage activities. Looking to the future, Biota is beginning the search for an Australian based CEO to commence when American based Peter Molloy's contract expires in January 2006
- **Relenza** licensee GSK, confirmed with Biota during August 2005, that the German Government has placed an order for 1.7 million packs of Relenza. GSK are to confirm the pricing and delivery. This order represents the first breakthrough into the important stockpiling market. Biota is entitled to a 7% royalty on sales of Relenza including all future stockpiling orders.
- **The US National Institutes of Health (NIH)** awarded Biota a US\$5.6m (\$7m) three-year grant to fund preclinical and Phase I clinical development of Biota's second-generation flu antivirals (LANI). If successful, the product could become the first line of defence against pandemic influenza. As part of the grant program, Biota secured a development partnership with the US inhaled drug specialist company, Aerogen, to conduct the formulation work on LANI in preparation for the start of Phase I clinical studies. These Phase I studies are scheduled to commence in 2006.
- **RSV** (respiratory syncytial virus) research program successfully progressed to the stage of preclinical candidate. This followed Biota's discovery of a new class of orally-effective, potent antivirals against RSV infection and the selection of a lead candidate series for preclinical development prior to human clinical trials. The RSV breakthrough followed on the heels of the company's decision earlier in the year to move its common cold (HRV) drug candidate into preclinical development after a similarly successful in-house research program. The HRV program has made excellent progress in the preclinical phase and is scheduled to commence Phase I human studies in 2006.
- **Share Purchase Plan (SPP)** was successfully completed in October 2004 contributing approximately \$20 million of new capital. Biota intends to conduct another SPP in the current year and looks forward to continued strong shareholder support.
- **The lawsuit** against GlaxoSmithKline (GSK), relating to GSK's failure to support Biota's first generation flu antiviral, Relenza, is proceeding. Biota filed an amended Statement of Claim in the Victorian Supreme Court in December 2004 with the Court outlining a timetable through to mediation, scheduled for November 2005. In July 2005, Biota filed its Particulars of Loss and Damage, estimating the value of Biota's claim at \$308 million to \$430 million.

Results of Operations

The operating loss after tax for the year ended 30 June 2005 was \$14.8 million, compared with \$8.1 million in the previous year. The overall result was in line with the half-year results and the company's overall expectations and planned expenditures. The loss included one-off costs associated with consolidation of US operations into Australia as well as \$3.7m in expenses associated with the litigation against GSK.

Revenues declined to \$5.0m (2004: 8.0m), with the main factors being a decline in diagnostics profit share after a relatively mild US flu season, and a reduction in funded research revenue in the US following conclusion of the Hepatitis C research collaboration with GSK in August 2004. Diagnostic profit share revenues were \$1.6m (2004: \$3.5m), and funded research revenues were \$0.3m (2004: \$1.8m)

Research grant income increased to \$1.3m (2004: \$1.1m) in line with progress under the RSV program, which is co-funded by a Start Grant. Investment income grew to \$1.4m (2004: \$1.1m).

Expenses increased to \$19.9m (2004: \$16.2m) in line with planned activity. US expenditure dropped by \$1.2m reflecting a part-year of savings following the closure of the US laboratories. Australian expenses increased by \$6.5m, with litigation expense of \$3.7m. Another important factor in local expense growth was the increased investment in preclinical development expenses associated with accelerating the LANI and HRV programs towards clinical trials.

Despite the increased R&D investment, costs associated with closure of the US laboratories, and increased litigation costs, the Company's cash balance at 30 June 2005 was \$24.8m, up nearly \$2m on the previous year (\$22.9m). Operations consumed \$13.0m (2004: \$6.0m) in line with programmed activity, and the company made capital investments totalling \$3.9m to complete the Notting Hill facility and transfer the US research programs.

About Biota

Biota is a world-leading antiviral drug discovery company with its headquarters in Melbourne, Australia. Biota was responsible for zanamivir, the first in class neuraminidase inhibitor, subsequently launched by GSK as Relenza™ in 1999 for the treatment of influenza. In partnership with Sankyo, Biota is developing second generation flu antivirals (LANI or Long Acting Neuraminidase Inhibitors). Biota is also developing potential therapies for the common cold, (Human Rhinovirus or HRV infection, RSV (Respiratory Syncytial Virus) infection, and liver disease caused by hepatitis C. In partnership with Thermo Electron, Biota also markets the FLU OIA® diagnostics range for the rapid detection of influenza.

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™ Relenza is a registered trademark of the GlaxoSmithKline group of companies



ASX Preliminary Final Report – 30 June 2005

Lodged with the ASX under Listing Rule 4.3A

This information should be read in conjunction with the
30 June 2005 Annual Report.

Corporate Directory

Directors

John R Grant (Chairman)
Peter L Molloy (Chief Executive Officer)
Barbara J Gibson
Ian D Gust
Andrew M Tyndale

Company Secretary

Damian Lismore (Appointed 26/8/2005)

Registered & Corporate Office

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E: registrars@asxperpetual.com.au
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Stock Exchange

Australia

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

US

Biota shares are traded in the US via American Depositary Receipts (ADR).
ADR:BTAYH

Biota Holdings Limited
 ABN 28 006 479 081
 Year ended 30 June 2005

(Previous corresponding period: Year ended 30 June 2004)

Results for announcement to the market

				A\$'000
Revenue from ordinary activities	up/down	37.2%	To	\$5,049
Loss from ordinary activities after tax attributable to members	up/down	87.4%	To	\$14,568
Net loss for the period attributable to members	up/down	87.4%	To	\$14,568

Dividends	Amount per security		Franked amount per security	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Final dividend	Nil cents	Nil cents	Nil cents	Nil cents
Interim dividend	Nil cents	Nil cents	Nil cents	Nil cents

Record date for determining entitlements to the dividend

Not applicable

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

Biota Holdings Limited
For the year ended 30 June 2005

Review of Operations

	2005 \$'000			2004 \$'000		
	Australia	US	Total	Australia	US	Total
Revenues						
Royalties	530	-	530	565	-	565
Research and license fees	-	259	259	16	1,780	1,796
Diagnostic sales revenues and profit share	1,552	-	1,552	3,490	-	3,490
Research grant	1,295	-	1,295	1,131	-	1,131
Interest/other	1,347	66	1,413	995	71	1,066
Total revenues	4,724	325	5,049	6,197	1,851	8,048
Operating expenses						
Royalties	76	-	76	81	-	81
Research and development	4,946	2,391	7,337	3,266	4,677	7,943
Intersegmental eliminations	(916)	916	-	-	-	-
Product development	3,583	-	3,583	1,399	-	1,399
Business development	93	810	903	-	887	887
Corporate and administration	6,422	604	7,026	3,022	849	3,871
Depreciation and amortisation expense	611	256	867	587	1,247	1,834
Borrowing cost expenses	-	88	88	-	145	145
Total expenses	14,815	5,065	19,880	8,355	7,805	16,160
Operating loss	(10,091)	(4,740)	(14,831)	(2,158)	(5,954)	(8,112)
Income tax attributable to operating loss	-	-	-	-	-	-
Operating loss after income tax	(10,091)	(4,740)	(14,831)	(2,158)	(5,954)	(8,112)
Net loss attributable to outside equity interest	-	-	(263)	-	-	(341)
Loss attributable to the members of Biota Holdings Limited	-	-	(14,568)	-	-	(7,771)

Explanation of revenue

The operating revenues for the period were \$3,636 (2004: \$6,982).

- Profit share from sales of the FLU OIA and FLU OIA A/B diagnostics by our partner, Thermo Electron, were \$1,552 (2004: \$3,490), due to a mild US flu season.
- US research revenue was \$259 (2004: \$1,780). These research fees were paid by GlaxoSmithKline (GSK) under a two year collaboration agreement which expired in August 2004.

- Grant funds received from the RSV Start grant project revenues were \$1,174 (2004: \$1,131). The Start grant commenced in April 2003 and is scheduled to conclude in December 2005. Revenues under the NIH Grant were \$121, further revenues will be received during 2006.
- Royalties received from GSK on global sales of Relenza during the year were \$530 (2004: \$565)
- Other revenues for the period, predominantly interest income, were \$1,413 (2004: \$1,066).

Explanation of Expenses

Total expenses for the period were \$19,880 (2004: \$16,160).

- Corporate expenses, excluding depreciation, were \$7,026 (2004: \$3,871). Expenses of \$3,740 were incurred during the year associated with Biota's litigation against GSK. These expenses include legal advice, external consultants and other expenses relating to the preparation of and lodgement of documentation in relation to the lawsuit against GSK. Subject to the period of litigation, it is expected that further costs will occur during the 2006 financial year.
- Research expenses, excluding depreciation, were \$7,337 (2004: \$7,943). Expense savings were achieved in the US due to the closure of the US research operations.
- Product Development expenses were \$3,583 (2004: \$1,399). The increase was due to increased expenditure on preclinical development programs.
- Depreciation and amortisation expenses were \$867 (2004: \$1,834).

Explanation of net loss after income tax

The 82.8% increase in the net loss for the period, before allocation of outside equity interests, of \$14,831 (2003: \$8,112) was largely attributable to:

- Decreases in revenues \$5,049 (2004: \$8,048)
- Increased legal expenditure relating to litigation against GSK of \$3,740 (2004: \$968)
- Increased product development costs associated with accelerating preclinical development programs.

Explanation of assets, liabilities and equities

- In November 2004, additional capital of \$19,770 (net of expenses) was raised through a Share Purchase Plan.
- During the year ended 30 June 2005, a controlled subsidiary, Biota Inc bought back all the shares held by minority interests. The Minority interests in Biota Inc decreased from 7.7% to 0%.

Explanation of dividends

Directors do not expect to pay a dividend in the foreseeable future.

Biota Holdings Limited

ABN 28 006 479 081

Preliminary Final Report to 30 June 2005

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1 Preliminary consolidated statement of financial performance

Biota Holdings Limited
For the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Revenues from ordinary activities	5,049	8,048
Operating expenses		
Research and development	(7,337)	(7,943)
Product development	(3,583)	(1,399)
Business development	(903)	(887)
Corporate	(7,026)	(3,871)
Borrowing cost expenses	(88)	(145)
Depreciation and amortisation expense	(867)	(1,834)
Royalties	(76)	(81)
<i>Loss from ordinary activities before income tax</i>	(14,831)	(8,112)
<i>Income tax expense</i>	-	-
<i>Loss from ordinary activities after income tax</i>	(14,831)	(8,112)
<i>Net loss attributable to outside equity interest</i>	(263)	(341)
<i>Net loss attributable to members of Biota Holdings Limited</i>	(14,568)	(7,771)
<i>Net exchange differences of Translation of financial report of foreign controlled entity</i>	(523)	(220)
<i>Total changes in equity attributable to members of Biota Holdings Limited other than those resulting from transactions with owners as owners</i>	(15,091)	(7,991)
Earnings/(loss) per share		
	Cents	Cents
<i>Basic (loss)/earnings per share</i>	(11.83)	(8.49)
<i>Diluted (loss)/earnings per share</i>	(11.83)	(8.49)

The above preliminary consolidated statement of financial performance should be read in conjunction with the accompanying notes.

2 Preliminary consolidated statement of financial position

Biota Holdings Limited As at 30 June 2005

	2005 \$'000	2004 \$'000
Current assets		
Cash	24,753	22,896
Receivables	490	129
Other	482	753
Total current assets	25,725	23,778
Non-current assets		
Other	-	339
Plant and equipment	4,702	2,058
Total non-current assets	4,702	2,397
Total assets	30,427	26,175
Current liabilities		
Accounts payable	3,727	3,249
Interest bearing liabilities	366	443
Total current liabilities	4,093	3,692
Non-current liabilities		
Interest bearing liabilities	258	835
Provisions	40	28
	298	863
Total liabilities	4,391	4,555
Net assets	26,036	21,620
Equity		
Parent entity interest		
Contributed equity	125,954	106,184
Foreign currency translation reserve	(1,635)	(1,112)
Accumulated losses	(98,283)	(82,169)
Total parent entity interest	26,036	22,903
Outside equity interest	-	(1,283)
Total equity	26,036	21,620

The above preliminary consolidated statement of financial position should be read in conjunction with the accompanying notes.

3 Preliminary consolidated statement of cash flows

Biota Holdings Limited
For the year ended 30 June 2005

	2005 \$'000	2004 \$'000
	Inflows / (outflows)	
Cash flows from operating activities		
Receipts from trade and other debtors (inclusive of goods and services tax)	3,635	7,409
Payments to suppliers and employees (inclusive of goods and services tax)	(17,885)	(14,243)
Interest expenses	(89)	(145)
Interest received	1,346	982
Net cash (outflow) from operating activities	(12,993)	(5,997)
Cash flows from investing activities		
Proceeds from plant and equipment	128	-
Payments for plant and equipment	(4,323)	(555)
Net cash (outflow) from investing activities	(4,195)	(555)
Cash flows from financing activities		
Repayments of interest bearing liabilities	(525)	(462)
Proceeds from issue and buyback of shares	19,833	8,419
Issue costs	(63)	(52)
Net cash inflow from financing activities	19,245	7,905
Net increase in cash held	2,057	1,353
Cash at the beginning of the financial year	22,896	21,643
Exchange rate adjustments	(200)	(100)
Cash at the end of the financial year	24,753	22,896

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes.

4 Notes to the preliminary consolidated financial statements
Biota Holdings Limited
For the year ended 30 June 2005

4.1 Material factors affecting the assets, liabilities and equity of the consolidated entity for the current period.

Additional capital of \$19,770 (net of expenses) was raised from a Share Purchase Plan that closed in November 2004.

New assets of \$4,323 were purchased in Australia and the US during the period of which \$2,955 were attributed to leasehold improvements to the new offices and laboratories in Notting Hill, Victoria.

4.2 Segment information

Primary reporting – geographical segments

The consolidated entity has one business segment, being pharmaceutical and medical research, with operations in Australia, the home country of the Company, and the US. The Australian and US operations are conducted in Melbourne, Victoria, and San Diego, respectively.

2005	Australia	US	Inter-segment eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Operating revenue	3,377	259	-	3,636
Interest revenue	1,347	30	-	1,377
Other revenue	916	36	(916)	36
Total segment revenue	5,640	325	(916)	5,049
Segment result	(11,437)	(4,682)	-	(16,119)
Net interest	-	-	-	1,288
Loss from ordinary activities before income tax expense	-	-	-	(14,831)
2004	Australia	US	Inter-segment eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Operating revenue	5,202	1,780	-	6,982
Interest revenue	991	19	-	1,010
Other revenue	4	52	-	56
Total segment revenue	6,197	1,851	-	8,048
Segment result	(2,158)	(5,809)	-	(7,967)
Net interest	-	-	-	(145)
Loss from ordinary activities before income tax expense	-	-	-	(8,112)

4.3 Revenues from ordinary activities

	Current period \$'000	Previous corresponding period \$'000
Revenue from operations		
Research revenues	259	1,796
Royalties	530	565
Diagnostics profit share	1,552	3,490
Grants	1,295	1,131
Total revenue from sales	3,636	6,982
Revenues – other		
Interest revenue	1,377	1,010
Other revenue	36	56
Total other revenue	1,413	1,066
Total revenues	5,049	8,048

4.4 Comparison of half year (losses)

	Current period \$'000	Previous corresponding period \$'000
Consolidated (loss) from ordinary activities after tax attributable to members reported for the 1st half yearly report	(6,737)	(2,867)
Consolidated (loss) from ordinary activities after tax attributable to members for the 2nd half year	(7,831)	(4,904)
Total year (losses)	(14,568)	(7,771)

4.5 Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2004	Opening balance	96,885,431		106,184
1 November 2004	Share placement	39,656,000	\$0.50	19,765*
9 November 2004	Share Placement	10,000	\$0.50	5
30 June 2005	Closing balance	136,551,431		125,954

*Net of costs associated with Share Placement.

4.6 Accumulated losses

	Current period \$'000	Previous corresponding period \$'000
Accumulated losses at the beginning of the financial year	(82,169)	(73,854)
Minority interest adjustment to accumulated losses opening balance	(1,546)	(544)
Loss attributable to members	(14,568)	(7,771)
Accumulated losses at end of financial year	(98,283)	(82,169)

4.7 Foreign currency translation reserve

	Current period \$'000	Previous corresponding period \$'000
Accumulated reserves at the beginning of the financial year	(1,112)	(892)
Net exchange difference on translation of foreign controlled entity	(523)	(220)
Accumulated reserves at end of financial year	(1,635)	(1,112)

4.8 Reconciliation of cash

	Current period \$'000	Previous corresponding period \$'000
Cash on hand and at bank	1,349	2,970
US Treasury bills	894	1,942
Money Market Deposits and promissory notes	22,510	17,984
Total cash at end of period	24,753	22,896

Treasury Bills were established in the US as security for Letters of Credit for Biota Inc's finance and operating leases. These Bills currently have a 90 day term and yield between 0.92% and 2.85% (2004: 0.92% to 1.01%).

4.9 Financing and investing activities

Major investing transactions that occurred during the period related to adjustments of the US operations to property, plant, and leasehold improvements \$894 (2004: \$2,179). An increase of Property, Plant and leasehold improvements for the new premises at Notting Hill of \$2,955 were incurred during the year.

4.10 Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	Current period \$'000	Previous corresponding period \$'000
Cash flow information		
Operating (loss) after income tax	(14,831)	(8,112)
Depreciation	867	1,834
Loss on disposal of property and equipment	271	-
Net exchange difference	300	(110)
Changes in assets and liabilities		
(Increase)/decrease in trade debtors and other debtors	(90)	144
Increase/(decrease) in trade creditors and other liabilities	478	255
Increase/(decrease) in provisions	12	(8)
Net cash inflows/(outflows) from operating activities	(12,993)	(5,997)

4.11 Earnings per share

	Current period \$'000 Cents	Previous corresponding period \$'000 Cents
Basic earnings/(loss) per share (EPS)	(11.83)	(8.49)
Diluted earnings/(loss) per share (EPS)	(11.83)	(8.49)
Losses used to calculate EPS	(14,568)	(7,771)
	Number	Number
Weighted average shares used to calculate basic EPS	123,184,288	91,499,422
Weighted average shares used to calculate diluted EPS	123,184,288	91,499,422

Options granted by the Company to directors and employees are considered to be potential ordinary shares but are not dilutive in the current period or the previous corresponding period and have not been included in the determination of diluted earnings per share.

4.12 Contingent liabilities

During the period, the Company continued commercially sensitive contractual arrangements with external parties in regard to the provision of legal and consulting services associated with the litigation against GSK. These arrangements could potentially give rise to a future liability under certain circumstances. During the year, expenses of \$3,740 in preparing for the litigation were incurred and expensed.

4.13 Events occurring after reporting date

The following significant events have occurred since the reporting date:

- The Company has entered into a contract for building activities associated with the expansion of the current laboratory and office facility in Notting Hill, Australia. These works are expected to be completed during December 2005.
- The payout of \$785 for equipment leases associated with the consolidation of the US subsidiary of the Company (Biota Inc) research operations to the new Australian laboratory.

4.14 Audit

This report is based on accounts which are in the process of being audited.

5 Impacts of adopting Australian equivalents to IFRS

5.1 Australian Equivalents

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Company's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to AIFRS and all releases for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Chief Financial Officer during the year attended an AIFRS implementation workshop run by the Company's auditors to assess the financial reporting implications of the above standards and a transition plan is being prepared for the consideration of the Audit & Risk Committee to ensure the timely implementation of the new standards. A project team has been established to manage the transition to AIFRS, and is being chaired by the Chief Financial Officer, reporting regularly to the Audit & Risk Committee.

The known or reliably estimated impacts on the preliminary financial report for the year ended 30th June 2005 had it been prepared using AIFRS are set out below in note 6. The expected material financial effects of adopting AIFRS are shown for each line item that are affected in the consolidated statement of financial performance and consolidated statement of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. Additional standards or amendments or interpretations may be issued by the AASB or IASB. Until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Significant changes identified to date that will be required to the Company's existing accounting policies include the following:

(i) First Time Adoption

Under AASB 1 "First-time adoption of Australian International Financial Reporting pronouncements", losses applicable to minority interests exceeding the interest held by the minority in the subsidiary's equity cannot be allocated against the minority interest unless the minority has a binding obligation to make additional investment to cover the losses. This will result in a change to the current accounting policy, under which the outside equity interest is fully recognised in equity.

The impact of this is an increase to the opening accumulated losses attributable to members of the consolidated entity by \$1,283, and the current reporting period loss will increase by \$262. This will have no future impact given that there has been a repurchase of the all of the minority equity interests during the current reporting period.

In addition, AASB 1 deems the cumulative translation differences for all foreign operations to be zero at the transition date, which will require such differences to be adjusted against retained earnings at that date. The impact of this would be to increase the accumulated losses of the consolidated entity by \$1,112, and reduce the opening cumulative translation reserve to \$Nil.

The Group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report. Under AASB 132, the current classification of financial instruments issued by entities in the consolidated entity would not change.

(ii) Equity-based compensation benefits

Under AASB 2 "Share based payments", equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation. The group will be taking advantage of the exemption available under AASB 1 to apply AASB 2 *Share-based Payment* only to those options that were issued to employees after 7 November 2002 but that had not vested by 1 January 2005.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, the consolidated employee benefits expense would have been \$232 higher, with a corresponding increase in the share-based payment reserve. The opening retained earnings would not have been impacted by prior year options due to the exemption as referred above.

(iii) Income tax

Under AASB 112 "Tax effect accounting", deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the consolidated statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity. Due to the current loss making position of the Group, this will have no material impact.

(iv) Impairment of Assets

Under AASB 136, "Impairment of non-current assets", the Group is required to consider annually whether any indicators of impairment exist, and if so to perform an impairment review based upon the

concept of cash generating units. In the absence of positive cash flow, assets must be written down to the net selling price. The Group, consistent with other companies in the biotech sector, is still largely in a research and development phase and therefore dependent upon funding rather than operating cash flows.

The nature of the Group's activities is such that all non-current assets are 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 an entity wide value. As the Group's market capitalisation is considerably higher than its Net Assets, the directors' do not believe that any impairment is required.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS and accordingly, it is not yet possible to quantify the impact of the transition to AIFRS on the Company's financial position and reported results.

6 Summary of Impact of adopting AIFRS

Reconciliation of net profit as presented under AGAAP to that under AIFRS

	Note	Consolidated 30th June 2005 \$'000
Loss from Ordinary Activities after income tax as reported under AGAAP		(14,831)
Share based Payment Expense	5.1 (ii)	(232)
Loss from Ordinary Activities after income tax as reported under AIFRS		(15,063)

Reconciliation of equity as presented under AGAAP to that under AIFRS

	Note	Consolidated 30th June 2005 \$'000	1st July* 2004 \$'000
Total equity under AGAAP		26,036	22,903
Share based payments reserve	5.1 (ii)	232	
Foreign currency translation reserve	5.1 (i)	1,112	
Accumulated Losses	5.1 (i)	(1,344)	
Outside Equity Interest	5.1 (i)		(1,283)
Total Equity under AIFRS		26,036	21,620

*This column represents the adjustments as at the transition to AIFRS

7 Supplementary appendix 4E information

Biota Holdings Limited
For the year ended 30 June 2005

7.1 NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	19.1 cents per share	22.3 cents per share

7.2 Individually significant items

During the period, a Share Purchase Plan for shareholders raised \$19,770 (net of costs) with 39,656,000 shares being issued at 50 cents per share.

7.3 Biota Inc

During the year, Biota Inc, a subsidiary of the Company, reacquired all shares from minority shareholders. As a result, the Company now holds a 100% interest in Biota Inc (formerly 92.3%).

8 Basis of preparation of preliminary final report

This general purpose financial report for the reporting period ended 30 June 2005 has been prepared in accordance with Accounting Standard AASB1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This preliminary final financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

This preliminary final report including the commentary on Group results was approved by a resolution of the board of directors on 26 August 2005.

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John Grant
Chairman
26 August 2005